

4/90

Brussels, 21 September 1990

To the Editor
Economist Newspaper Ltd
25, St James's Street
LONDON
United Kingdom SW1A 1HG

Sir,

Your article on European Monetary Union is probably unfair to the "British Plan" in two important respects. A single European currency (which, incidentally, this plan does not rule out but could delay) may not be as useful as you imply, or a 13th currency as unnecessary.

You support the view that economic benefits of a single currency would be obvious and substantial, claiming that "The United States have benefited hugely from having one dollar rather than dozens". Actually this has never been proven nor even seriously debated, and the contrary viewpoint could be defended. Some would argue that bigger is always better, but in monetary matters - and in many others - the reverse is very often more true.

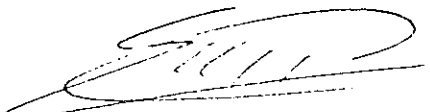
A 13th currency could have more uses than you state. All economic systems need a parallel currency.

The economic importance of the EC is such that one of its currencies could be used as the leading parallel currency, with all the advantages this would bring in terms of price stability of raw materials, seigneurage etc.

The only European currencies which can claim this status at present, albeit to a limited degree, are the Deutschmark, and to a lesser extent the pound. The Ecu has developed an embryonic role as a parallel currency in the Euro financial market, while the US dollar remains the parallel currency of the World as a whole, and of Europe.

It is quite likely that a hard Ecu functioning as a 13th currency for the European Community could challenge both the US dollar and the Deutschmark as the European parallel currency and even the leading International parallel currency, deriving massive economic benefits for the EC and its member-states.

The "British Plan" may slightly underestimate the technical difficulties of defining an efficient hard Ecu. But it can be considered as the best proposal to date for providing Europe (and the world) with what it very obviously needs : a world-class European parallel currency.



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3/92

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Brussels, 27 July 1992.

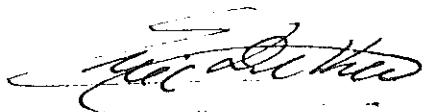
To the Editor
Economist Newspaper Ltd
25, St James's Street
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(United Kingdom)

Dear Sir,

Martin Feldstein's article and the readers who share his views seem to me more convincing than those who attack it. The academic work on optimal monetary zones is old and impressive, yet it could not be used to demonstrate that 300 million western european users of a single currency happens to be an optimal. Worse, I do not believe there has ever been a serious debate about it within the EEC, which would confirm it is a strictly political issue with unknown economic implications.

The European currency can be introduced as an additional currency that would exist, as a parallel currency, alongside all the others that continue to exist, linked together through any kind of EMS. Such a European parallel currency would offer sizable advantages, in monetary affairs, the financial markets, in trade. An embryo of it exists in the financial markets, the ECU, which today is a private currency issued by private Banks.

Using this ECU, or anything else, as a European Parallel currency meets with strong enemies : those who prefer to see other currencies (the Dollar and the Mark) used as parallel currencies in Europe, and back a plan for a single currency because they know it will get nowhere; those who desperately want a single currency and are afraid that a successfull parallel currency would prove the uselessness of a single currency . Such a strange coalition has been strong enough to kill the Major plan two years ago, which was a very good suggestion to use a parallel currency (the "Hard ECU"), and watch the result before going further. Quite a pity for Europe and the European economies, which could use a more stable parallel currency than the ones they have to use today.



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Brussels, 24 August 1992

To the Editor
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Sir,

Your Market Focus (August 21st) could be too pessimistic on the future of the ECU.

The success (since 1981) of the Ecu Bond and Money Markets has owed until the late 1980's nothing to plans for a single european currency. The Ecu should, and still could, be the Parallel Currency of Europe and a Major International Currency, which would be used alongside the existing european currencies. It could use a better definition ; the "Hard Ecu" version proposed in 1990 by the British Treasury was an improvement on the present basket definition. The Ecu could then be better than the present parallel currencies used in Europe. The USD and the DEM were never managed for an international rôle ; they bring large seignuriage profits to their issuers, at almost no cost.

The plans for the single currency, beside other possible weaknesses, have created a formidable obstacle for the development of the Ecu as the European Parallel Currency ; a strange alliance between those who prefer keeping the present ones (USD and DEM thus), and those who promote the single currency scenario as the only one, thus discouraging the parallel currency alternative.

The Ecu can survive referendums. With (at last) enlightened backing to that effect, it can still become the European Parallel Currency very soon, bringing many advantages to European Economies. The single currency should be another, let us say more distant, issue.


E. DE KEULENEER