The Delors Plan, a supranational financial dictatorship for Europe

by Jacques Cheminade

The author is president of the Rassemblement pour une France Libre (RFL), a new political formation which is presenting a large slate of candidates in the European Parliament elections on June 18.

"Your money or your life," gangsters used to demand of their victims, when words still corresponded to acts. Today, the victims facing this choice are those European countries that signed the 1992 Single Europe Act in 1985. The "Delors Report on Economic and Monetary Union in the European Community," released in April, makes the choice clear: If the single market remains "deregulated" and "unharmonized," capital, banking, and industry will move to those European countries with the lowest taxes, wages, social and work security standards. In order to avoid that, Europe will have to accept a bankers' monetary order and the loss of sovereignty over economic policy.

Indeed, President of the European Commission Jacques Delors proposes nothing less than abolishing national currencies and establishing ultimately a common Central Bank—"an autonomous Community institution"—which would issue a single currency for all citizens of the EC.

The Delors report points out the ultimate responsibilities European countries accepted in signing the Single Europe Act. "With full freedom of capital movements and integrated financial markets, incompatible national policies would quickly translate into exchange rate tensions and put an increasing and undue burden on monetary policy. The integration process thus requires *more intensive and effective policy coordination,* even within the framework of the present exchange rate arrangements, not only in the monetary field, but also in areas of national economic management affecting aggregate demand, prices and costs of production."

The trap is complete: the single market leads inevitably to monetary union, which in turn demands "full economic cooperation" or, to put it bluntly, loss of sovereignty. Transfer of sovereignty in monetary and budgetary matters, two indispensable elements of national independence, should take place from the very first step scheduled for July 1, 1990.

Delors follows his usual procedure here: Instead of attacking head-on, open up "negotiations" with his partners, draw them in and then force them to advance, when retreating would bring about an unwanted rupture. Delors and his 17 experts, including the 12 central bank governors of the EC, propose a step-by-step program which implies an irreversible commitment from the very beginning. "The decision to begin the first phase should be a decision to enter into the whole process," they state in the report.

From no later than July 1, 1990, negotiations on a new treaty should begin. In fact, "The realization of this objective would call for new arrangements which could only be established on the basis of a treaty change and consequent changes in national legislations. . . . A *transfer of decision-making power* from member states to the Community as a whole would arise primarily in the fields of monetary policy and of macro-economic management."

The three steps should not be seen as separate, but rather in terms of the end result that the EC bureaucrats in Brussels wants to attain. The first and second steps are but bait.

Economic integration

The main characteristic of the final step is the move "toward irrevocably locked exchange rates." Governments lose control over their monetary policy, and national currencies are to be replaced "as soon as possible once parities have been finally decided upon." Then, of course, a new institution will have to be set up to manage this common monetary policy. "Domestic and international monetary policymaking of the Community should be organized in a federal form, in what might be called a European System of Central Banks (ESCB). This new system would have to be given the full status of an autonomous Community institution. . . . It could consist of a central institution (with its own balance sheet) and the national central banks . . . [which] would be entrusted with the implementation of policies in conformity with guidelines established by the Council of ESCB and in accordance with instructions from the central institution."

Integration of national economic policies would be absolute. "The Council of Ministers would determine the broad lines of economic policy, while the implementation would be left to national governments and the Commission in their respective areas of competence.

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"In particular it would seem necessary to develop both binding rules and procedures for *budgetary policy,* involving respectively:

- effective upper limits on budget deficits of individual member countries . . . ;
- the definition of the overall stance of fiscal policy over the medium term, including the size and financing of the aggregate budgetary balance, comprising both the national and the Community positions."

In other words, all credit—from defense credits to those for education—would be subject to supranational control, through this budgetary control. "In the event of non-compliance, the Commission, or another appropriately delegated authority, would be responsible for taking effective action to ensure compliance."

This means a combination of an American-style Federal Reserve and a super-International Monetary Fund (IMF).

Indeed, the European System of Central Banks, like the American system, is made up of a federation of 12 banks topped by a central decision-making agency. The West German central bank and, secondly, the City of London, would play a role similar to that of the New York Fed in the American system. The "upper limits on budgetary deficits" resemble the automatic budget-cutting found in the U.S. Gramm-Rudman-Hollings provisions.

Top politicial decisions will no longer be taken by national authorities supposed to defend the interests of production, industry, and labor, but by a supranational financial authority dominated by banking and insurance cartels.

The commission will be the "watchdog" for this authority, enforcing "financial discipline" in much the same way as the IMF does in the Third World.

First step: The lure is set

The first step would be preparatory in nature. Member countries would strive to concretize their economic and monetary cooperation, but this would not require any change in official mechanisms. This is the step that British Chancellor of the Exchequer Nigel Lawson has stated he could accept. "I agree to a strengthening of monetary cooperation among EC countries, and to having the pound join this exchange rate system" of the European Monetary System.

What are the pitfalls Delors has laid?

First of all, during this first phase scheduled to begin on July 1, 1990, changes in the EC's founding Treaty of Rome will be prepared and ratified. Then, absolute priority will be given to completing the "internal market," i.e., "a complete removal of physical, technical, and fiscal barriers within the Community."

Finally, a process will be set up for multilateral monitoring of the evolution of economic policies, on the basis of commonly decided upon indicators, and a new procedure for coordinating budgetary policies will be installed.

Who is to direct this "monitoring"? Not nationally elected officials, but the *central bank governors!*

Hence, the report states: "In the monetary field . . . consideration should be given to extending the scope of central banks' autonomy. . . . All impediments to the private use of the ECU [European Currency Unit] would be removed." Worse still, some members of the Delors Commission recommend creating a European Reserve Fund in the first phase.

The goal of financial supremacy is clear. If the English position differs from that of Delors, it may be because London, with its experience in "divide and rule" tactics, expects to gain more from a "Darwinian jungle," whereas others prefer an absolute supranational order.

Second step: The trap snaps shut

The new treaty is now to be enforced, and vast changes to occur. "In this stage, the basic organs and structure of the economic and monetary union would be set up, involving both the revision of existing institutions and the establishment of new ones." This constitutes a "training process," whose most important element would be setting up the European System of Central Banks to replace existing institutions, including the central bank governors' committee. "As circumstances permitted and in the light of progress made in the process of economic convergence, the margins of fluctuation within the exchange rate mechanism would be narrowed as a move towards the final stage of the monetary union, in which they would be reduced to zero."

The conditions are thus created for moving into the third step, which will characteristically "attribute to Community institutions the full monetary and economic competences described."

The report on economic and monetary union was first debated during an informal meeting of the EC finance ministers May 19-20. It will be discussed at the European Council meeting in Madrid on June 26-27.

Two aspects of this procedure are noteworthy.

The first is the escalation from the central bank governors (12 out of the 17 experts of the Delors Committee) up to the highest political level—the European Council—by way of the finance ministers. The "political" decision thereby depends on the work done previously by bankers and financiers.

The second is just how close at hand it all is: The Madrid summit will take place only eight days after the European elections of June 18, and a few days before France takes over the presidency of Europe.

Former French President Valéry Giscard d'Estaing says he would like "to enter further and faster into an economic and monetary Europe." He suggests broadening the first step and imposing a mandatory timetable for the second. "In my opinion, the role assigned to the ECU is insufficient. It would also be desirable to develop use of the ECU more amply in the second phase." And he reminds any who may have forgotten that "renouncing monetary sovereignty is contained in the Single Act and is not an additional decision."