



Economic Ideas and Political Action in Shaping Economic and Monetary Union: Pierre WERNER and Luxembourg

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The international financial centre in Luxembourg grew considerably in the 1960s, driven by proactive government policy, flexible regulation, a willingness to harness external opportunities (such as the 1963 US interest equalisation tax and the 1968 provisions introduced by the Bundesbank) and the establishment of Community institutions and European funding institutions in the country. As Luxembourg was in a currency union with Belgium within the Belgium-Luxembourg Economic Union and did not have its own Central Bank, these developments were all the more meaningful. When the European integration process experienced a series of major crises – including the failure of the European Defence Community and European Political Community in 1954, the empty chair crisis in 1966 and General de Gaulle’s veto on British accession in 1962 and 1967 –, Luxembourg set out on the path of European monetary integration, under the impetus of Finance Minister and Prime Minister Pierre Werner. In October 1970, the Werner Report provided a detailed blueprint for Economic and Monetary Union and laid the foundations for the euro. The Luxembourg financial centre would serve as a “laboratory” for the future single currency.

This paper makes extensive use of Pierre Werner’s previously unpublished archives, other relevant European and international archives and original interviews, adopting an interdisciplinary approach to analyse Luxembourg’s leading role in reconciling different views on EMU and fostering political commitment to a European currency among the Member States. The paper demonstrates how Luxembourg was a driving force in the development of a form of transnational, network-based cooperation that resulted in the emergence of a monetary elite, which in turn had a significant influence on the transfer of political ideas and solutions within the Member States and also on the supranational decision-making process with regard to European economic and monetary integration in the 1970s. Elite transnational networks and the consensus they reinforce, develop and disseminate are critical to our understanding of progress and change in world politics.

Keywords: Economic and Monetary Union, single currency, financial integration, Pierre Werner, Luxembourg.