

Workshop report:

European Central Banks and Monetary Cooperation after 1945. Central Banks Workshop Bank for International Settlements Basel, 2 December 2005

On the occasion of its 75th anniversary, the Bank for International Settlements hosted the 2005 edition of the EABH Central Banks Workshop in Basel. The organising committee - consisting of Piet Clement, BIS and Juan Carlos Martinez Oliva, Banca d'Italia, in cooperation with the staff of the European Association for Banking and Financial History - deemed that the subject of monetary cooperation under and after the Bretton Woods system until the introduction of the euro was particularly important for its contribution to creating the present international monetary setting in Europe, characterised by a European Central Bank and a single currency. The workshop also took stock of the situation in the different Central Bank archives with respect to the treated topic by trying to establish a list of priority research subjects, and to link the main research topics to the relevant archive collections. The Basel workshop brought together 30 archivists and historians from 21 different European central banks, international organisations and academic institutions.

The program consisted of three sessions and a panel discussion. The first session focused on the institutional cooperation of Central Banks in the 1950s and 1960s under the Bretton Woods system which led, inter alia, to the establishment of the *European Payments Union (EPU)*; the second session, dealing with the following period 1960s-70s, shed light on the efforts undertaken by monetary authorities to prevent the eventual collapse of the Bretton Woods system; the third session explored *European central bank* cooperation after Bretton Woods. A panel discussion followed, aimed at exploring a number of archival issues concerning Central Banks' archives. In total, six papers were presented, covering 45 years of crucial changes in the international monetary cooperation field. The workshop was opened with a welcoming address by Peter Dittus, Secretary General of the hosting Institution, followed by Prof. Manfred Pohl, the *EABH* Deputy Chairman.

The study of the origins of European monetary integration couldn't but move from the post-war reconstruction, the Marshall plan and the early creation of the institutions that gave origin to the modern cooperation process in Europe. Therefore in the first session, chaired by Gabriel Fagan, Head of Monetary Policy Research at the *ECB*, Juan Carlos Martinez Oliva, moving from a broader research project carried out in the *Bank of Italy*, outlined the origins of European cooperation by analyzing the European Payments Union from the Italian perspective. The mandate of the *EPU*, to provide a multilateral clearing system and to remove trade barriers in Europe, was fulfilled in only eight years: in 1958 the European economies adopted currency convertibility and operated thenceforth in a fully cooperative context. The analysis of Italian views and proposals on convertibility, based on new archival evidence, contributed to a better understanding of the Italian authorities' attitude on European monetary cooperation in that period. In the following paper, Piet Clement illustrated the changing nature of *European central bank* cooperation in the transition from the fifties to the sixties, based on two particular episodes: the emergency credit granted by the *European Payments Union* to Germany in the winter of 1950-1951, and the central bank credit granted to the *Bank of England* in the autumn of 1964. In contrast to the fifties, when the main aim of Central Banks was to restore trade and payments, within a framework of price and exchange rate stability, in the sixties the focus shifted from institutional cooperation, based on a set of agreed rules, to the ad-hoc running of a system that was supposed to operate largely automatically. While granting a higher degree of freedom, the new system involved a softening of discipline that required more frequent consultation and discussion among Central Banks, and, in the face of new challenges, ultimately led to the collapse of *Bretton Woods system*.

In the second session, Philip Cottrell, *University of Leicester*, provided an example of the difficulties that the *Bretton Woods system* was faced with following the adoption of

current account convertibility in December 1958. The increased difficulties experienced by the dollar starting from the sixties triggered the collective effort by Central Banks aimed at defending the dollar that characterized the period. Another relevant event in those years was the gradual decline of the pound sterling, the other world's reserve currency. Cottrell's paper examined the effort of central bankers, acting through Basel, to sustain sterling at \$2.80 during the currency crises of 1961, 1963 and 1964-1967, with a focus on how the *Bank of England* employed 'Basel assistance' in the technical operations needed to sustain the exchange rate and defend the Bank's currency reserves. The analysis of the same period was carried out from a different perspective by Olivier Feiertag, *Université de Rouen*, who examined the role of the *Bank of France* from the return to currency convertibility in 1958 to the collapse of the *Bretton Woods system* in the early seventies. The author investigated the global meaning of international monetary cooperation in the sixties, in order to understand the motives underlying the authorities' attitude. According to the author, understanding whether international cooperation was a mere technical device, rather than the expression of nationalistic and individualistic interests is the main historical dilemma of international monetary cooperation.

Finally, in the third session, Patrick Halbeisen, *Schweizerische Nationalbank*, considered the negotiation, in 1975, for a possible accession of Switzerland to the group of the so-called *Snake countries* (European exchange rate mechanism). The arguments and evaluations of the time are presented in the paper, along with a discussion of the international political process involved. The conclusion is that the ultimate failure of negotiations entailed critical consequences, and involved a monetary policy that assigned a lower priority to the exchange rate. Moreover, the episode is relevant for a better understanding of later developments concerning Switzerland and the *European Monetary Union*. Marzena James, *Princeton University*, provided an analysis of central bank cooperation across the Iron Curtain before and after 1989, looking particularly at the case of Poland. For a long time Poland aimed at integration within the network of international financial cooperation. The geopolitical changes in 1989 opened the opportunity to move towards a market economy and to benefit from the contribution of European banking institutions, and the *FED*. Poland could also benefit, during the transition, from useful policy advice from the *BIS* and the *IMF*, particularly regarding stabilization and convertibility of the currency, price liberalization, fiscal consolidation and privatization. The paper provided a useful example of the interplay of Central Banks with other actors in the international system, such as other financial institutions and international organizations.

The main conclusions of the different research papers presented at the workshop were summed up lucidly by Aurel Schubert, Director of Statistics at the *Austrian National Bank*. He referred to the many different types of central bank cooperation and the perennial dilemma between flexibility versus rules facing monetary policymakers. Schubert also stressed that monetary history is not just about structures and systems, but that even in this complex and often technical field individual people do matter. The panel discussion at the end of the workshop has been particularly helpful for an assessment of the present situation of archival sources available in Central Banks, with a focus on monetary cooperation in Europe. The debate covered relevant issues such as the access of the public to archival facilities, the availability of documents on digital media, the spread of archival information via the Internet, the declassification limits in different countries for various categories of information, confidentiality criteria for third party information. The general conclusion was that a wider use of archival information for research purposes is to be encouraged, in order to provide a better comprehension of the actual functioning of the cooperation process through historical analysis. Preserving the documents from the past is the best means for a thorough understanding of the present and the future.

Piet Clement - *Bank for International Settlements*

Juan Carlos Martinez Oliva - Banca d'Italia