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# The Genesis of EMU: A Retrospective View

TOMMASO PADOA-SCHIOPPA



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Padoa-Schioppa: *The Genesis of EMU: A Retrospective View*



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Jean Monnet Chair Papers

# The Genesis of EMU: A Retrospective View

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## I. Introduction[1]

My remarks in this paper are intended to provide an overview of the process that led to the emergence of the EMU (Economic and Monetary Union) project and its adoption with the Maastricht Treaty. The momentum of the EMU process was greatest in the period between June 1988, when the Hannover European Council was held, and October 1993, when the Federal Republic of Germany formally ratified the Maastricht Treaty. In this five-year period, EMU can be seen as having been at the centre of European developments and Germany as having been at the centre of the centre - not only in the sense that the two dates are related to Germany but also because EMU is largely about moving from the DM to a common currency in Europe and because the German model of a central bank has been adopted for the European Central Bank. Moreover, the decisive political interaction in the crucial phase of those five years was between the political developments that led to German unification and the issue of EMU.

The five years in question can be divided into three sub-periods: the first, of preparation, lasted from 1988 to 1990; the second, of negotiation of the new Treaty, coincided almost exactly with the year 1991; and the third, of ratification of the Treaty, continued for most of 1992 and 1993. In the first two periods, a series of exceptionally favourable circumstances combined to make the result achieved at Maastricht possible; however, during the third period there was a change which led to serious difficulties that almost prevented the Treaty from being ratified.

I have my own views on all three processes, with each of which I was associated at various points. Accordingly, my presentation will be a rather subjective one and will involve an attempt to answer four questions: First, what is an economic and monetary union? Second, how did EMU become part of the European system? Third, what institutional innovations did EMU bring to the EU Constitution? And, fourth, what are the prospects for implementing EMU?

1 Mr Tommaso Padoa-Schioppa is Deputy Director General of the Bank of Italy. This is the text of the Robert Schuman Lecture given at the Sixth Session of the Academy of European Law on 29 June 1995

## II. What Is an EMU?

The expression 'EMU' dates back to the late 1960s, when it became part of the language of the meetings of EC Heads of State and Government and was the subject of the Werner Report published in October 1970. The objective of progressively realizing economic and monetary union was confirmed when the Single European Act was adopted in 1986 and was launched again at the meeting of the European Council held in Hannover in June 1988. Exactly what was meant by economic and monetary union was not defined even at the Hannover meeting, which devoted only a few lines to the subject and really did no more than set up a committee under the chairmanship of the President of the Commission, Jacques Delors, with the task of 'studying and proposing concrete stages leading towards this union'. One of the first steps taken by the Delors Committee was to define the concept and it did so by concluding that it essentially meant three things: first, the single market; second, some fiscal or budgetary discipline; and third, monetary union *strictu sensu*, namely the unification of monetary matters.

The first component, the single market, had already been defined and there was no change in the provisions of the Treaty of Rome as amended by the Single European Act; the economic content of the single market is clear, as is its institutional content.

The inclusion of the second component, fiscal or budgetary discipline, was, and remains, debatable and debated. It was decided very early in the Delors Committee that some form of fiscal discipline was required as a safeguard to ensure that monetary union would be stable, that the value of money would not be threatened by fiscal disorder in the budgets of Member States. But the decision to include this element in EMU was based on a mixture of economic and political arguments, which, in my view, were never thoroughly worked out in analytical terms. On *economic grounds*, there is no compelling argument for claiming that a monetary union cannot function without a fiscal union or, more generally, without a form of federal discipline in budgetary matters. Federal discipline in participants' budgets is not a feature of most federations. Yet, in all federations the federal authorities have budgetary and monetary powers. There is thus a difference between talking about fiscal discipline and fiscal responsibility. Certainly, on *political grounds* it was indispensable to present monetary union as being based on sound budgetary policies, since consensus on monetary union would not have materialized without reassuring

public opinion that it would be built on solid fiscal foundations. Although I do not myself believe that fiscal discipline is a necessary condition for monetary union, I am firmly convinced that budgetary discipline is desirable, and therefore welcome the fact that Maastricht reinforced the fiscal discipline that would otherwise not have been backed by Treaty provisions.

When we talk about discipline in the *fiscal* and *budgetary* field, we are speaking essentially about national budgets, not about the Community budget, which has its own procedure and is not large enough to destabilize the European economy. Responsibility for Member States' budget policies lies with national parliaments, or is shared between parliament and the executive. What the Community has done by embodying elements of fiscal and budgetary discipline in the Treaty is not to take that power away from national authorities - that would have been impossible. Rather it has established certain fundamental rules - fiscal deficits should not exceed 3 per cent of gross domestic product (GDP), the public debt should not exceed 60 per cent of GDP - and introduced a procedure for monitoring countries which exceed these limits and for exerting pressure on them to comply. Whether this procedure will be effective is very difficult to predict. It is half-way between expressing a wish and establishing a binding rule. As is common in this field, only time will tell whether it will work or not. Clearly, the ultimate decision on national budgets is left in national hands; what has been created at the European Union level is a power to monitor, to exert pressure, but not to mandate actions. These matters, of course, hardly lend themselves to being settled in court.

The third component of EMU, monetary union *strictu sensu*, is usually defined as 'the irrevocable locking of exchange rates', the expression frequently used in the Delors Report, or the adoption of a single currency. Fundamentally, however, monetary union is neither of these two things. Defining monetary union as a fixed exchange rate regime means defining it from the angle of international monetary relationships, rather than from that of the monetary regimes to be found in individual countries. It suggests that currencies are linked in some way, but that there is still a plurality of currencies and a plurality of institutions responsible for them. The Bretton Woods system was a fixed exchange rate regime, as is the European Monetary System (EMS) to a certain extent. No one would call the DM system in Germany or the dollar system in the United States a system of fixed exchange rates, although, of course, having one currency means having one immutable measure for the whole economy in which it is used.

It is possible to conceive of a monetary union without a single currency and even to imagine a monetary union, albeit a very special one, without fixed exchange rates. The essence of a monetary union is institutional, not economic. It is the fact that the responsibility for monetary decisions is shifted to one single institution instead of being entrusted to a plurality of central banks, whether or not they are tied by an exchange rate arrangement. In other words, creating a monetary union means moving from a plurality of decision-making centres to just one. It is conceivable that this centre could still run a system with a plurality of currencies having different names and, with a further effort of imagination, that it could even be empowered to change the exchange rates among them, although there is no historical precedent for such an arrangement. On the other hand, there are examples of a plurality of currencies within a monetary union. Before the decimal system was adopted in Britain, guineas were used to pay lawyers, doctors and tailors, while pounds were used to pay restaurant bills and the rent. Naturally, the exchange rate was fixed, the conversion between the two currencies was automatic and the central bank was the same for both.

As regards the division of competences, in the *monetary* field there will be no sharing of policy-making competences, though decentralization will be possible in the implementation of policy decisions. For instance, banknotes can be printed in factories located in the various Member States, but how many should be printed cannot be decided independently in each country. Monetary policy-making is an all-or-nothing situation and it has been agreed that the competences will be placed entirely in Community hands.

My answer to the first question is thus that a monetary union is a system in which monetary decisions are taken by a single institution.

## III. How Did EMU Enter into the Maastricht Treaty?

My answer to this question will be a summary one[1]. The first point to be made is that something like a monetary union was implicit from the very start of the European Communities. The Treaties were written in the 1950s when

1 For a more detailed account of the events leading up to the Maastricht Treaty, see T. Padoa-Schioppa, *The Road to Monetary Union in Europe*, Oxford: Clarendon Press, 1994.

the Bretton Woods system was still in force, providing a kind of monetary union to the world. The 'fixed but adjustable' parity system was taken so much for granted as part of the international order that the Treaty of Rome neither mentioned it nor embodied any of its rules. However, if the Treaty is read carefully, there clearly emerges a conceptual, or analytical, economic framework, and exchange rate fixity or discipline is an integral part of this framework. It is thus not surprising that the subject of EMU found a place on the agenda of the European Community in the second half of the 1960s, since this is when the Bretton Woods system began to unravel and the problem of replacing it with something else came to be given serious consideration.

The second point is that the years from 1988 to 1993, and particularly the period from 1988 to the signing of the Maastricht Treaty in February 1992, were marked by a series of circumstances that played a key role in leading to this Treaty. These include: the widespread recognition of two economic propositions underlying the idea of a monetary union; broader factors related to the economic and political situation in Europe; some special political conditions; certain ideas that gathered strength during the period; and a number of tactical choices that were made. Let me briefly look at each of these sets of reasons.

The first of the economic propositions is what I call the 'inconsistent quartet': it states that fixed exchange rates, free trade, complete capital mobility and national independence in the conduct of monetary policy are mutually inconsistent. Indeed, the development of international economic and monetary relationships over recent decades can be seen as a constant effort to deal with this inconsistency, both within Europe and on a global scale. In today's world of complete capital mobility, attempts are made to preserve freedom of trade by resorting to exchange rate arrangements, but these cannot function for long while national monetary policies are fully independent. In Europe, the inconsistency became increasingly evident following the decisive moves toward the completion of the single market and the tendency in the late 1980s for the Exchange Rate Mechanism (ERM) to turn into a fixed exchange rate regime. The relaunching of EMU represented the radical solution to the inconsistency, the squaring of the circle, the reconciliation of the four elements of the quartet by replacing the plurality of decision-making centres with a single institution and thereby suppressing the independence of national monetary policies.

The second of the two economic propositions I referred to concerns the need to strike a balance among the three key objectives of economic policy:

efficiency, pursued at the international level mainly through free trade; an equitable distribution of income, pursued in most countries through fiscal policy and, internationally, through development aid and the activities of the World Bank, etc.; and macroeconomic stability, in terms of budgetary and monetary stability. There is an economic and political relationship among these three objectives. By pushing ahead with the completion of the single market and the goal of efficiency, the European Community left the other two sides of this triangle, that is equity and stability, somewhat behind. Many of the developments of the late 1980s, after the single market process had been launched, can be seen as attempts to rebalance the three sides of this triangle, with monetary union as the ultimate solution.

In this presentation I have collapsed the monetary and economic arguments into the two propositions that I call the inconsistent quartet and the efficiency-equity-stability triangle. I am well aware of a further argument that is often made in support of EMU. It runs as follows: monetary union is desirable mainly because the present arrangement results in the whole of Europe being affected by decisions made by the Bundesbank in Frankfurt, primarily with a view to the state of the German economy but with consequences for all the other economies that have tied their currencies to the DM. In short, non-German monetary policy-makers do not like the present situation and would prefer an arrangement whereby the perspective of monetary policy-making would not be purely German, even if it imposed exactly the same monetary discipline. I would like, however, to put this monetary argument for EMU somewhat differently: monetary union is desirable not so much because we do not want monetary policy to be decided by the Bundesbank for everybody else, but rather because the need for it is so great that for lack of a Community solution we have the *ersatz* of the Bundesbank filling the gap. This state of affairs is not good for the other Member States and it is bad for Germany too. It is not possible for a currency to play the role of a national as well as an international currency indefinitely without running up against almost insurmountable dilemmas, which, in the end, will prevent it from performing either of the two functions properly. This difficulty was experienced by the dollar before the collapse of the Bretton Woods System and one can conclude that the crisis of the ERM after 1992 was also due to the increasing difficulty the DM had in playing the double role. In fact, there is a striking analogy between the decline of the dollar system and the decline of the DM system. The DM system started out in 1974 with a small 'Snake', grew with the ERM and expanded further with the inclusion of the peseta, the escudo and the pound; today there is only one currency still adhering to the narrow band, the Dutch guilder. In both

cases there was an inflationary shock - the United States had to cope with the effects of the Vietnam War, and the Bundesbank with those of German unification - and the need to give priority to domestic objectives; the Federal Reserve responded with an inflationary monetary policy, the Bundesbank with a disinflationary one. In both cases there was a conflict between the currency's domestic and international roles. So the national, or hegemonic, solution to the need for monetary union has proved not to be economically viable and it would certainly not be politically viable in a Community such as the one we have created, either in terms of Germany's interest or in that of its partners.

What then are the economic and monetary reasons for wanting monetary union? In a nutshell, I would say that without monetary union there can be no lasting discipline in exchange rate relationships: the devaluation of the Italian lira is seen by many as an example, but there would inevitably be others. Without such discipline, protectionism would emerge again sooner or later. Some countries are already toying with the idea, though I do not think much will happen for the time being. In my opinion, the complaints of French manufacturers about the competitive advantage the devaluation has given to Italian industry are, on the whole, unjustified, but they may be heard politically. Parts of the single market could sooner or later be disrupted. Indeed, I am firmly convinced that without a single currency, a single market cannot function properly for long. This is both a monetary *and* an economic reason for wanting EMU, though I admit I am here simply stating my conviction without presenting the full case.

Turning to the broader economic and political factors I mentioned earlier, there is clear evidence that the European construction has advanced most effectively in periods in which economic expansion combined with political stability. These twin conditions were satisfied from the mid-1980s up to the opening of the 1990s, an unusually long period. The economic expansion that started in Europe in 1984 lasted until the beginning of the following decade, and occurred against a background of very stable political leadership. In almost every European country, this period coincided with the longest-serving prime minister (or head of state) of the century: Mitterand in France, Kohl in Germany, Lubbers in the Netherlands, Martens in Belgium, and Gonzales in Spain. Such permanence was crucial because an effective implementation of international cooperation projects requires political stability and firmly established leaders who know each other well.

Of the other factors I mentioned, I shall only recall the powerful role played by two ideas that became popular in the 1980s, one in the economic field and the other in the monetary field. In the economic field, it came to be held that public intervention in the economy should be reduced and more scope allowed to the play of market forces, which can be summed up in the expression 'minimum government'. In the monetary field, the paradigm gradually prevailed that monetary policy should be primarily concerned with price stability and central banks made independent. The two components of this paradigm are clearly related, since an independent central bank is much more acceptable if it is not entrusted with politically sensitive choices such as that between more employment and more price stability, which was how monetary policy was usually presented in the 1950s and 1960s. The two ideas of minimum government and an independent central bank oriented towards price stability were very important in facilitating the acceptance of monetary union since they tended to minimize the shift of sovereignty. If the central bank is not entrusted with politically sensitive decisions, it becomes a more technical institution, one that has to make sure a metre is always a metre long, neither more nor less, and the transfer of this function from the national to the European level is thus less politically charged; governments would be less inclined to feel that they were relinquishing something that was theirs by right. What is ironic is that a prominent opponent of EMU, Margaret Thatcher, and the monetary institution that has supposedly most to lose from monetary union, the Bundesbank, were in fact strong supporters of these two ideas, which ultimately helped to create a climate favourable to the entry of EMU into the Treaty.

In sum, entrance of the EMU into the Treaty was propitiated by a series of favourable factors all operating in the same direction, almost by accident, though to be sure necessary things sometimes happen by chance.

## IV. What Institutional Innovations Has EMU Brought?

Though I do not believe my list is exhaustive, I see *four main areas* of innovation. The first is that the provisions of the Treaty concerning monetary union - and I shall restrict my remarks to monetary union because this is the truly innovative aspect of the Treaty - take European Union to the end of the road in this field, with a single central bank and a single currency. In no other

area have the principles underlying the EU's construction been so completely implemented. One of the reasons why monetary matters have moved so far ahead is that in the monetary field there is much less divisibility than in other economic fields: monetary powers are either here or there, they cannot be shared. Consequently, once the idea of monetary union had been launched, the only options were to reject it or to go the whole hog. There is no federal system, not even the loosest, in which monetary power is shared between different levels of government. *En passant*, it is somewhat paradoxical that the notion of subsidiarity, which in a way is the opposite of indivisibility, should have entered into the Treaty on the same occasion. As far as I know, the word subsidiarity was not to be found in the Treaty before Maastricht and I remember that when the paragraph on subsidiarity in the Delors Report was first drafted, the word was unknown to most of the members of the Committee. It has been claimed that subsidiarity does not apply to monetary policy because this is indivisible; however, if subsidiarity means carrying out government functions at the lowest possible level, the attribution of monetary powers to a Community body rather than to the Member States is indeed a case, albeit a limited one, of its application.

The second area of innovation concerns the debate on multiple speeds and variable geometry. The Maastricht Treaty contains two formulas that represent a major change: the 'opting-out clause' for the United Kingdom and Denmark, and the 'convergence criteria' to qualify for the final stage of monetary union. Both these formulas allow the European Union to move to the final stage of monetary union without all the Member States having to participate from the start. Opting-out refers to the political *will* of Member States to participate or not in a project, in this case monetary union, while the convergence criteria establish a *performance* requirement for those wishing to do so. This is very important because most of the debate on multiple speeds and variable geometry is about how to combine the two elements of will and performance in determining Member States' participation in projects designed to advance the unification process. These innovations also entail some constraints for the future. For instance, it has now been accepted that the Treaty is susceptible to change through the application of an opt-out clause; this sets an important precedent. It has also been accepted that Member States can be excluded from participation in projects on performance grounds. Nonetheless, while the right to opt out has been recognized, no provision has yet been made for what is called the right to opt *forward* or up. Nor has it been decided whether the group of countries at the leading edge of the Union's development should be the same in every field or be allowed to vary from one field to another. Once

again important innovations came about more as a response to specific problems than as the result of a comprehensive analysis of the Union's institutional architecture. They will undoubtedly solve some problems in the future, but they will also cause others.

The third area of innovation concerns the design of the key organs of monetary union. The Treaty provides for the Board of the European Central Bank (ECB) to have fewer members than the number of countries participating in the monetary union. It is as though some Member States had no member in the Commission. The Treaty also provides for the decision-making body of the ECB, the Council, to be made up of the members of the Board and the Governors of the national central banks. It is as if there were a body at the Union level made up of both members of the Commission and Ministers, and it is this body that will decide monetary policy. Further, and of fundamental importance, the voting rule within the ECB Council is one head, one vote. The Union's monetary policy will be determined by the head of the Institut Monétaire Luxembourgeois as much as by the head of the Bundesbank. The fact that this exceptionally wise decision was taken so smoothly in the process of designing the Treaty verges on the miraculous. It was recognized that the only way to obtain collective decisions based on wisdom rather than negotiation, to make sure that the members of the Council would be really independent, was to have one head, one vote. If you have as many votes as your GDP, you are not independent, but represent your GDP, your country. The foregoing are thus fundamental changes in the conception of the organs of the Union that did not exist before the entry of EMU into the Treaty.

The fourth innovation, which unfortunately is a negative one in my view, is the fact that, for the first time, the institution entrusted with carrying out the transition, and hence with implementing the Treaty in the field of monetary union, is a *transitory institution*, the European Monetary Institute, different from the final one, the European Central Bank. There was considerable debate and, in a way, a tug-of-war about this. Those who did not want the European Central Bank to be created from the beginning won the day and this may prove to be a serious weakness in the implementation of the Treaty. It is as if the Commission had not been created in 1958 on the ground that it had no competences at the beginning because nothing was there yet. This is what we have now in the European Monetary Institute, an institution lacking the powers that the Commission and the Council historically had in order to implement the Treaty in their own field.

## V. What Are the Prospects for Implementing EMU?

Obviously, a treaty becomes reality if it is signed, ratified *and* implemented. The Maastricht Treaty has been signed; it has been ratified, though only just; for the moment it has not been implemented. The ratification process was so difficult that the Treaty has been likened to the fish of Hemingway's *Old Man and the Sea*: no more than bones, the flesh having been eaten during the journey. In fact, ratification was achieved, but in the process the key element of the EMS, the Exchange Rate Mechanism, and most of the pro-European momentum and goodwill that had permitted the signing of the Treaty were lost. Yet, the ratification of the Treaty makes an enormous difference; if it had not been ratified, Europe would probably not have come back to the idea of monetary union for decades, just as the idea of a common defence policy has not been on the agenda since the rejection of that treaty in 1954. Having been ratified, the Treaty will provide, for better or for worse, the basis for European developments in the coming years.

The implementation of the Treaty will depend crucially on economic, political and technical developments. I will briefly mention some of the factors involved and hope in this way to throw some light on the road ahead. Convergence is one of the key *economic* factors; without sufficient convergence, there will be no monetary union for the reasons I gave earlier; in other words, not perhaps because complete convergence is strictly necessary on economic grounds, but because it is indispensable on political grounds. The second economic factor concerns the behaviour of financial markets. Greatly to my surprise, European currencies did not fluctuate as much as might have been expected after the widening of the EMS fluctuation margins two years ago. We have seen that markets have the power to produce instability in exchange rates and hence, sooner or later, to cause inflation rates to diverge. Central banks have proved unwilling or unable to oppose these forces, so in a sense we are in the hands of the markets. The third economic factor is the business cycle; it will be more difficult to find the will to go ahead with monetary union unless the European economy is expanding.

On the *political* front, a period of renewal of the leadership in the key countries was completed with the French elections held in May 1995. The process whereby the leaders of the Member States become personally acquainted, make plans and set priorities is only just beginning. In a broader context, the new European agenda has still to be written, notably in the intergovernmental

conference, and we do not know what priority will be assigned to the implementation of monetary union or how political union will develop.

On the *technical* front, as the recent Green Paper of the Commission shows, there is a considerable amount of preparatory work involved in the implementation of monetary union, in much the same way as it took eight years to put the legislative and regulatory framework in place for the start of the single market on 1 January 1993. It will not take so long to prepare for monetary union, but one or two years will be necessary, not weeks or months. These are the factors involved and a banker's prudence suggests that I should stop here and not try to envisage how they may come into play.

Having said that, let me expand on convergence criteria. I will tell you first why the decision to include convergence criteria in the Treaty was political and then why I do not think it has a very strong economic basis. It would have been very difficult to explain to German public opinion that the DM was to be abandoned to join forces with weaker currencies, unless there was some guarantee that the economy and the budget of the countries involved would be managed in a more stability-oriented way than they had been. Such a guarantee was a political necessity. In Germany annual inflation has never exceeded 7 per cent in the last forty years; in Italy to take just the example of my country, the *average* for the last forty years has been above 7 per cent. Such differences in monetary stability performances explain why abandoning the DM is not popular in Germany.

As for the question of whether the convergence criteria are economically indispensable, monetary union can be seen as amounting for all practical purposes to what economists call 'monetary reform', namely changing the currency, changing the central bank and establishing a new institutional system for managing money. Historically, monetary reform has been the outcome of periods of extreme disorder, not of things going well. Germany can again be taken as an example. Monetary reform there served to bring to an end a period of hyperinflation, during which prices had risen by even more than 1,000 per cent per day. Historical experience is not that you have to clean the house before reform. Just the opposite has been the case: institutional change has been a necessity when things were going badly, not a luxury people could afford when they were running well.

As regards the criteria for public finances, there is no example of an economic federation - not Canada, not the United States, not Germany, not

Switzerland - where the budgetary powers of the members of the federation - the cantons, the Länders, the states, and so on - are restricted by the federal authorities or by the federal constitution. They may, of course, have self-imposed discipline; for instance, at the level of state constitutions in the United States. So convergence criteria in this field are something new. It would take longer to explain more analytically why there is no economic theorem that I know of that is able to demonstrate the need for something of the sort.

I am nonetheless very much in favour of convergence criteria. I am in favour because I believe they are good *per se*, as a strong inducement to sound policies. I would also be in favour, I must say, of a balanced budget constitutional amendment in the United States - but for its own sake, not because the dollar cannot be managed without it.

## VI. Conclusion: Is EMU Desirable, Inevitable?

By way of conclusion let me say that I never thought that what we have now in the Maastricht Treaty was the only possible outcome of the process started in 1988 in Hannover. On its own, the rather impressive list of factors that played favourably could not have produced this outcome. In January 1994, after describing the factors that I have summarized here in more detail, I wrote:

To attempt to comprehend how the Treaty of Maastricht came about is not to assume that Maastricht was the only possible outcome of all the above factors. Even those of us who laboured to complement the Single Market with a monetary union and to embody this transformation in a treaty held only that such a transformation was desirable and feasible, not that it was probable or much less inevitable. There were many, indeed very many, occasions during the ten years of its preparation when events could have taken a quite different course: the decisions of individuals, the political environment in which they operated, the economic situation, and the background historical events could have combined to give a different turn to the whole process. Thus we may speak of a benevolent historical conspiracy but certainly not of inevitability.

And then I quoted Guicciardini, the Italian political thinker and historian of the sixteenth century, who said that 'faith breeds obstinacy' and that 'since the

things of this world are subject to a thousand random chances and accidents, unexpected help may appear in many forms in the course of time for those who have obstinately persevered'. In short, the outcome was certainly possible, though perhaps rather unlikely; it nonetheless came about. Trying to explain *ex post* why something happened should never imply that one considers the events and their outcome as having been inevitable.

## Biographical Note

TOMMASO PADOA-SCHIOPPA has been Deputy Director General of the "Banca d'Italia" since 1993. After having studied economics at the University of Bocconi of Milan and at the Massachusetts Institute of Technology (MIT), he joined the Bank of Italy in Milan in 1968. He has been economist in the Research Department, Head of the Monetary Market Department in Rome (1975-1978), and Economic Advisor to the Treasury (1978-1979). He was also Director General of Economic and Financial Affairs at the Commission of the European Communities in Brussels for five years and returned to the Banca d'Italia in 1983. He has published several working papers and books on economic and monetary questions, in particular *Problems of Interdependence in a Multipolar World*, (Brussels, CEC, 1981), *Money, Economic Policy and Europe* (Luxembourg, OOPEC, 1985), and *L'Europa verso l'unione monetaria* (Torino, Einaudi, 1992).

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