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Introduction by Federico Romero

Emmanuel Mourlon-Druol. ***A Europe Made of Money: The Emergence of the European Monetary System.*** Ithaca: Cornell University Press, 2012. ISBN: 978-0-8014-5083-9 (hardcover, $55.00).

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Introduction by Federico Romero, European University Institute

Emmanuel Mourlon-Druol's title zooms in on money, and his book is indeed a detailed, sophisticated account of how the European Monetary System (EMS) was created, and why. Money is not all, though, as the EMS story operates here also as a lens to analyze the complex processes through which consensus was shaped and built, and decisions were reached, within the European Community. The reviewers are impressed by the book's "excellent treatment" (Guirao) which makes it interesting to a wide range of scholars, and suggest that it is "likely to make some waves" (Verdun).

Mourlon-Druol adds considerably to previous reconstructions of the European Monetary System[1] by basing his work on a "breathtaking" (Guirao) variety of primary sources from eighteen archives in six countries (a quantitative and multi-lingual feat that did not fail to impress the reviewers). Even more crucially, the narrative interweaves multiple levels of analysis and a variety of methodological approaches. The decision-making process at the political level is steeped in the complex and changing institutional fabric of European integration. And it is richly contextualized within the intellectual and cultural transformations that reshaped economic thinking in the 1970s, eventually leading to a highly specific consensus on European monetary cooperation in the new world of floating currencies, a consensus centered, as Mark Gilbert writes, on "West German preferences for greater rigor in the struggle against inflation." Thus, political and institutional history is framed in the shifting landscape of economic thought and monetary doctrines, with the monetary elite's epistemic community playing a key role alongside the institutions and personalities entrusted with the final decisions (or those that were not made).

Mark Gilbert is not fully convinced by the editorial result of this multiple approach. He is impressed by the integration of institutional transformations in this history of monetary policy decisions, particularly the creation and functioning of the European Council, which plays a key role in Mourlon-Druol's reconstruction. He also praises the rich portrait of "how the 'high politics' of European integration takes place." But he sees too much attention devoted to "fruitless plans and drawn-out bureaucratic skirmishes," and laments that the end-result is a flattening of the story.

[1] See Loukas Tsoukalis, *The Politics and Economics of European Monetary Integration* (London: Allen and Unwin, 1977); Peter Ludlow, *The Making of the European Monetary System: A Case Study of the Politics of the European Community* (London: Butterworths 1982); Kenneth Dyson, *Elusive Union: The Process of Economic and Monetary Union in Europe* (New York: Longman, 1994); Horst Ungerer, *A Concise History of European Monetary Integration: From EPU to EMU* (Westport: Quorum Books, 1997); Kathleen R. McNamara, *The Currency of Ideas: Monetary Politics in the European Union* (Ithaca: Cornell University Press, 1998), André Szász, *The Road to European Monetary Union: A Political and Economic History*, (Basingstoke: Macmillan, 1999); Amy Verdun, *European Responses to Globalization and Financial Market Integration: Perceptions of Economic and Monetary Union in Britain, France and Germany*, (New York: St Martin's Press; Basingstoke: Macmillan, 2000); Erik Jones, *The Politics of Economic and Monetary Union: Integration and Idiosyncrasy* (Lanham: Rowman & Littlefield, 2002).

The other reviewers do not share this opinion. Amy Verdun, in particular, considers the author's "eclectic" approach a key strength of the book. Far from simply reconstructing political events, it delves in the "various visions" of monetary cooperation that at different moments clashed and coalesced, it follows "the different types of paths that could have been taken", and by so doing it conveys the complexity of the institutional, intellectual, and political processes that made European integration. It is this successful weaving of various threads together that makes this "an outstanding historical study."

Yuichi Hosoya praises this "much broader and deeper" approach to the history of European integration, representative of new trends towards a historical analysis that is "*simultaneously* transnational, intergovernmental and supranational," as Emmanuel Mourlon-Druol purposely claims in his Introduction (p. 6). Likewise, Fernando Guirao commends "the questioning of the teleological narratives in the field" and the decision to link "monetary matters to issues and debates of much wider scope," among which he also emphasizes trans-Atlantic relations, the impact of "regular electoral appointments on policy-making at the European level," and the perceptions of a democratic deficit.

Two issues are singled out by the reviewers as worthy of either a deeper treatment or a more thorough discussion. Hosoya argues that the interrelationship between "global monetary politics" and European debates and decisions on monetary cooperation should have received more attention, while Guirao feels that a larger use of "basic macroeconomic data" would have provided for a thicker, more satisfying contextualization. Both of them then wish that the role of Germany, its growing influence and its specific policy goals, had been further emphasized in the book's structure and argument. Guirao, in particular, suggests that out of the material collected by the author, an alternative reading of German aims and policy is possible, and briefly outlines it.

These various comments and criticisms elicit a spirited, extended response by Emmanuel Mourlon-Druol. He sums up some of his arguments and openly engages in the debate on Germany's visions and prescriptions, which have historical significance for the EMS as well as current relevance for the political and technical debates about the Euro. Enjoy the debate.

Participants:

Emmanuel Mourlon-Druol is Lord Kelvin Adam Smith Fellow in the Adam Smith Business School, University of Glasgow and a Research Associate at LSE IDEAS, the LSE's Centre for Diplomacy and Strategy. Before joining the University of Glasgow, he was Pinto Post-Doctoral Fellow at IDEAS. He is the co-editor, with Federico Romero, of *International Summitry and Global Governance: the Rise of the G7 and the European Council, 1974-1991* (Routledge, 2014). He has a Ph.D. from the European University Institute in Florence, an M.Sc. in International History from the LSE, and a BA from Sciences Po, Strasbourg. He is currently working on the development of European banking regulation and supervision from the 1960s.

Federico Romero is Professor of History at the Department of History and Civilization, European University Institute. He has worked on various aspects of the Cold War, trans-Atlantic relations, and European integration. Among his recent books, *Storia della guerra fredda* (Einaudi 2009); with Silvio Pons (eds.) *Reinterpreting the End of the Cold War* (Frank Cass 2005). He has just edited together with Emmanuel Mourlon-Druol, *International Summitry and Global Governance. The Rise of the G7 and the European Council, 1974-1991* (Routledge, 2014).

Mark Gilbert is Resident Professor of International History and International Studies at the Bologna Center of the Paul H. Nitze School of Advanced International Studies of the Johns Hopkins University. He is author, most recently, of *European Integration: A Concise History* (Rowman & Littlefield, 2012).

Fernando Guirao is (since 1995) Jean Monnet Professor of European Integration History at Universitat Pompeu Fabra (Barcelona) and, since 2007, Affiliated Professor of the Barcelona Graduate School of Economics. His three most recent publications are (with Frances M.B. Lynch) "A Lifetime's Search for a Theory of Historical Change—An Introduction to the Work of Alan S. Milward", in Guirao, Lynch and Ramírez (eds.), *Alan S. Milward and a Century of European Change*, (Routledge Studies in Modern European History series) 2012, 1-129; (with Mario del Pero, Victor Gavín and Antonio Varsori), *Democrazie. L'Europa meridionale e la fine delle dittature*, (Mondadori Education - Quaderni di Storia – Le Monnier) 210; and (with Lynch), "L'eredità intellettuale di Alan S. Milward", *Memoria e Ricerca*, Year XX, New Series, no. 41 (September-December 2012), pp. 181-206 (English version forthcoming).

Yuichi Hosoya is professor of Western Diplomatic History at Keio University, Tokyo. He was a visiting professor at Sciences-Po, Paris (Institut d'Études Politiques) and a visiting fellow at Princeton University. His recent publications include "The Atlantic Community and the Restoration of the Global Balance of Power: The Western Alliance, Japan, and the Cold War, 1947–1951," in Marco Mariano (ed.), *Defining the Atlantic Community: Culture, Intellectuals, and Policies in the Mid-Twentieth Century* (Routledge, 2010), and "Japanese National Identity in Postwar Diplomacy," in Gilbert Rozman (ed.), *East Asia National Identities: Common Roots and Chinese Exceptionalism* (Stanford University Press, 2012).

Amy Verdun is Professor of Political Science and Jean Monnet Chair Ad Personam, at the University of Victoria, in Victoria BC, Canada where she has been since 1997. She holds a Ph.D. in Political and Social Sciences from the European University Institute Florence Italy (1995). Her earlier appointments were at the University of Leiden (1991-92) and at the University of Essex (1995-96). She is author or editor of seventeen books and has published in scholarly journals such as *Acta Politica*, *British Journal of Politics and International Relations, Comparative European Politics*, *European Political Science*, *European Union Politics*, *International Studies Review*, *Journal of Common Market Studies*, *Journal of European Integration*, *Journal of European Public Policy*, *Journal of Public Policy*, *Regulation and Governance*, *Review of International Political Economy*, *Transfer: European Review of Labour and Research*, and *World Politics*.

Review by Mark Gilbert, Johns Hopkins University, Bologna

This book is a very useful addition to the growing corpus of literature on European integration in the 1970s. It is a dense text – in places, denser than it needed to be – and unquestionably requires its reader to possess a significant degree of specialist knowledge. Nevertheless, by reading it one learns a great deal about how the 'high politics' of European integration takes place; about how economic decisions affecting millions of lives were made and presumably still are made. The archive research that has gone into the volume can only be described as intimidating. Yet the manner in which the fruits of this research is deployed also has the merit of stimulating the reader to reflect about the way we explain the occurrence of significant historical events – a point I will return to later in the review.

A Europe Made of Money is essentially a blow-by-blow account of how the European Community came to adopt the European Monetary System (EMS) in 1978-1979. Cutting to the chase, Mourlon-Druol argues that contrary to the view that the EMS was a leap in the dark unexpectedly carried out by Chancellor Helmut Schmidt of West Germany and President Giscard d'Estaing of France, the EMS was "more the outcome of what was 'in the air' already, rather than a sudden qualitative leap forward" (6). It was only thanks to what Mourlon-Druol calls a "protracted and tortuous" "learning process," (6) whereby plan after plan to achieve greater currency stability was presented and shelved from the early 1970s onwards, that Schmidt and Giscard were able to put their plan forward with any hope of success. There had been a lengthy period of 'continuity' – to use a word that the author more than once puts in italics – in the discussions over the desirability of monetary stability and the methods by which it might be achieved. And in these discussions, West German preferences for greater rigor in the struggle against inflation as a prelude to any kind of European-level cooperation had gradually established consensus support.

The creation of the EMS was also facilitated by a major institutional fact – the creation in December 1974 of the European Council, which held regular summits of the EC's heads of government, which in turn provided a platform for driving forward a policy as complex as monetary stabilization. Schmidt and Giscard grasped that they could use the European Council's meetings to guide the Community towards their preferred goal. The Council was a new institution, and one not well regarded by exponents of greater supranationalism, who distrusted its inherent intergovernmentalism, but Mourlon-Druol has no difficulty in showing that the Council made an important qualitative difference to the Community's decision-making and in fact acted to bring the original Schmidt-Giscard démarche made at the Copenhagen European Council in April 1978 back within the bounds of conventional wisdom: "In short, the European Council's political impetus explains why reheated old ideas became a palatable dish for EEC heads of government, while the slow formation of a transnational consensus among a European monetary elite along a Bundesbank-inspired line explains the absence of novelty in the EMS" (268). The European Council, by bridging the gap between governments and Community institutions, proved its indispensability to both the member states and to the so-called 'process' of European integration.

The originality of Mourlon-Druol's volume, therefore, is that it relativizes – or perhaps domesticates – the great men who made the EMS. Instead of a genial German leader, arrogantly imposing his will with behind-the-scenes machinations, we are presented with a Schmidt, fed up with U.S. President Jimmy Carter's nonchalant attitude towards the devaluation of the dollar, launching a radical scheme for a European Bretton Woods, but gradually falling back on what the conventional wisdom was prepared to accept, namely a mechanism of currency parities like the already-existing 'Snake,' decorated with the garnish of the European Currency Unit.

This compressed account of the book's contents shows that *A Europe Made of Money* is a work of some significance for specialists in EU history, indeed contemporary European history in general. The book is not exempt for criticism, however. Three points stand out. First, the book could have done a lot more to contextualize the economic and political debates it discusses and introduce the political and economic actors who were participants in them. The weakest chapter in the book is the first (though it follows an excellent introduction) on "European Monetary Cooperation, 1945-1974." This chapter really needed to introduce the debate between so-called 'economists' and 'monetarists' at greater length, to explain what the key arguments were in layman's language, and to provide more background on the major economic arguments that took place in European democracies as a result of the failure in Britain, France, Italy, and the Netherlands of so-called 'growthmanship.' A second criticism, following on from this, is that the author's descriptions of various proposals put forward by officials between 1974 and 1978, the importance of which Mourlon-Druol is at pains to stress, are hard to follow and sometimes assume a good deal of knowledge. It might have been better to have quoted more extensively and to have let the officials speak more often in their own words.

Or perhaps not. The point is not crucial, although the book, especially in its first 120-150 pages, is definitely not as accessible to the intelligent ignoramus as it might have been. A more important criticism, I think, is of what, following J.H. Hexter, one might call the book's 'rhetoric.'[1] Mourlon-Druol spends 160 pages (over half the book) and four substantial chapters getting his reader to Schmidt's Damascene conversion to the cause of Community action on monetary policy in the Spring of 1978. This narrative choice ultimately rests on his belief that the fruitless plans and drawn-out bureaucratic skirmishes that he is describing in such detail are of equal historical significance to the actions of Schmidt and Giscard in 1978-1979 (since they were a crucial learning process that shaped the final outcome). They therefore deserve equal narrative space. But do they? There is, after all, a sense in which Schmidt's boldness conferred retrospective historical significance upon what might otherwise have been interpreted as footling exercises in abstract theorizing. Mourlon-Druol's book does succeed in relativizing Schmidt and Giscard and to that extent is an important contribution to our understanding of the creation of the EMS. It is also a

[1] J.H. Hexter, "The Rhetoric of History" in *Doing History* (London: Allen & Unwin, 1971), 15-76. Note in particular Hexter's analysis of the centrality of rhetorical structure for a truthful account of the victory of the New York Giants over the Brooklyn Dodgers in the 1951 National League Pennant, pages 29-43. Some home runs, shall we say, are more important than others.

path-breaking work on the importance of the European Council that historians and political scientists will be obliged to take into account in future. But I still think the book *flattens* its story excessively.

Review by Fernando Guirao, Jean Monnet Professor of History, Department of Economics and Business, Universitat Pompeu Fabra, Barcelona

Emmanuel Mourlon-Druol's *A Europe Made of Money: The Emergence of the European Monetary System* deals with discussions on monetary co-operation and integration among the relevant authorities of the nine member-States of the European Community (EC) from the beginning of 1974 to the agreement to establish the European Monetary System (EMS) in March 1979. The point of departure of the book's main narrative is marked by the ascendance of Valéry Giscard d'Estaing and Helmut Schmidt to the Presidency and Chancellorship of the French and German republics respectively. The point of arrival is the definition of the EMS. The latter is not an irrelevant issue. It powerfully marked the limits of national autonomy in exchange-rate policy for most European currencies until the coming into effect of the European Monetary Union in January 1999. In other words, the EMS embodied the sort of anti-inflationary consensus which has dominated economic policy in Europe during the last thirty years. Under the present circumstances, this is a topic of paramount importance.

The publication of a new monograph on a topic and a time-period which are extremely important from today's perspective but remain very much under-researched is always good news; all the more so in this case because the book is based upon a comprehensive research programme involving the consultation of the most relevant documentary collections in six different countries. The variety of the sources cited in the book's more than one thousand notes is, simply, breathtaking. In addition, Mourlon-Druol is well aware of the inseparability of monetary issues from other socio-economic events, whether at the domestic or international level, and aptly links monetary matters to issues and debates of much wider scope: the establishment of relevant new institutions such as the European Council, the evolving nature of some European countries' foreign relations with the United States, the impact of regular electoral appointments on policy-making at the European level, allegations of a democratic deficit in the running of Community matters, the role of individuals – mainly Giscard d'Estaing and Schmidt – and the European Commission in the promotion of European integration, and the questioning of the teleological narratives in the field. These are some of the many issues and debates that the author presents in a new light deriving from his careful analysis of official discussions on exchange-rate problems. It is precisely the book's excellent treatment of a wide range of topics that transforms it into a text of interest to scholars of varied interests. The EMS "was more than just an exchange rate system", the reader is informed right from the beginning; it is "part of a wider trend toward the tentative affirmation of the [European Community] as an international actor amid the profound [...] transformation of the 1970s" (2). 'Europe' – in this case the European Community – was made essentially by ambition, striving towards worldwide leadership. No interested reader will be disappointed after reading the 282 pages of the main text of *A Europe Made of Money*.

This reviewer recommends reading the introduction *and* conclusions before entering into the chapters of the text. The contents of both in combination help the reader to place the book within a historiographical framework, and the EMS within a wider institutional context. The disciplinary classification of this book is not obvious. It is not a book on finance, economic history, international relations or international organisations, some of the fields represented by the scholarly works cited in the bibliography. Although the author calls for his book to be placed in the field of international (economic) history (5), I feel that it will be placed on the 'European studies' bookstore/library shelves. This, however, is not completely unfortunate because, as mentioned before, this book concerns currencies as much as the functioning of the European Community/Union institutions (the European Commission, the Council of Ministers and, most particularly, the European Council). Actually, an appropriate subtitle for the monograph would have been *The Emergence of the European Council*.

The book contains eight chapters of very similar pattern, except for the first, which deals with a much longer period of time – thirty years, from 1945 to 1974 – in a much shorter space. Chapter 1 aims to provide the necessary historical and theoretical background for the contents of the rest of the book. It would perhaps have been more helpful to have started the chapter – and thus the book – with an analytical presentation of the 1972 Basle Agreement (which is referred to as the 'snake' and which entered into force in April 1972 and remained in place until March 1979) rather than of the optimum currency area concept. The latter is not central to exchange-rate stability debates, whilst the reader will learn at the end of the book that the EMS is an improved version of the former. Given that the EMS retained the parity grid and fluctuation margins established by the Basle Agreement, it would have been convenient for the author to allow the reader to visualise in practice how the different currencies fluctuated from April 1972 to March 1979.

Mourlon-Druol considers the snake to have been a "failure" – whether "perceived" (18) or real (30) – when it was actually very successful in terms of revealing which monetary policy was generating stability in the middle of the *tsunami* of instability that the end of fixed-exchange rates provoked. By mid-1976, an area of stability around the Deutsche mark (DM) had been forged with the inclusion, apart from the Federal Republic, of Austria, the three Benelux countries, the three largest Scandinavian countries, and Switzerland. The fact that four EC countries – France, Ireland, Italy and the United Kingdom – were unable (and mostly unwilling) to retain their respective currencies within a limited margin of fluctuation with respect to the DM leads the author to affirm that the "remaining snake [...] did not leave much hope for the future of European monetary cooperation" (25). Actually, this book shows precisely the contrary.

The author allots to the Basle Agreement the same unsubstantiated disqualification as the defenders of the single currency, in the 1990s, did to the EMS. It is as if any monetary arrangement (in the apparently linear process of European integration) would necessarily be an *improvement* over the preceding scheme – EMS over the snake and EMU in turn over the EMS – without taking into consideration the fact that each agreement responds to the precise historical – economic, political and social – circumstances in which it was conceived. From the perspective of this reviewer, the snake had no specific "failures" (30). What might have failed at the time is the political willingness of many governments to actively support external currency stability when it was perceived to be detrimental to their conceived domestic growth and employment strategies. By the time of the negotiations towards the EMS, priorities had been reversed. The *failed* snake members (Germany, the Netherlands and Norway), together with Austria and Switzerland (which had pegged their currencies to the DM), had been able to reduce their misery index (the sum of inflation and unemployment rates) contrary to France, Ireland, the United Kingdom, and Italy, which more than doubled (the first three) or tripled (Italy) the German level by 1978. A more nuanced approach to relative failure and success in macroeconomic performance might have been useful to the reader's analysis of the information contained in the multitude of documentary records consulted for this research. Had Mourlon-Druol included in his factual exposition some basic macroeconomic data, he might have enabled his readers to better understand the timing and nature of changes in opinion concerning the character of any new arrangement in the exchange-rate policy field. The macro-picture would have been a great help in understanding the rich micro-narrative that the book offers.

Chapters 2 to 8 present the main features of discussions and/or negotiations in periods of time which are never longer than a year. Altogether, these seven chapters include the discussions among specialists and the negotiations among policy-makers concerning monetary co-operation and/or integration during five years, from May 1974 to March 1979. These chapters offer an account which, in contrast to existing conventional wisdom which the author characterises as "simplistic" (4), consists of a multilevel interplay of scholars, experts, central bankers, officials at various departments, ministers, members, and officials of the European Commission, prime ministers, Chancellor Schmidt, and President Giscard, all of whom appear to have been immersed in different learning processes of a transnational, intergovernmental, and supranational nature, out of which the European Monetary System emerged. The author leads the reader through the maze of technical details with care and helps the reader greatly with summaries, recalling the lessons from previous sections, and employing strategic deviations towards less technical issues. The narrative is so rich in (never boring) detail that readers are able to reach conclusions which may differ from the ones verbalised in the book.

That the evidence in the book could be interpreted differently is illustrated by means of the example of the circumstances leading to proper negotiations for a new exchange-rate system. In the book, the 1978 U-turn is explained by the confluence of multiple learning processes. This reviewer's own reading of events, which was confirmed by the evidence included in the book, is different. The Germans – whether the Chancellor, members of government or the central bank – were satisfied with the exchange-rate regime of the Basle Agreement and were unwilling to consider any alternative course of action as long as there was no guarantee of any strong commitment on the part of the main characters in the coalition of critics, particularly the French authorities, to price stability. Paris was unable to stabilise and requested German assistance, mostly unconditional or simply to be offered on the altar of either a Franco-German *entente cordiale* or European integration, which its German counterpart rejected. Equally, the international pressure exercised upon the German political and monetary authorities to expand domestic demand was firmly resisted and resented in Bonn and Frankfurt for years. However, by the spring of 1978, one year into the operation of the Frankfurt agreement on exchange-rate adjustment which had involved the general devaluation of all the currencies in the European exchange-rate mechanism *vis-á-vis* the DM (that is, the Danish, Norwegian and Swedish *krones*, the Dutch guilder and the Belgian franc), it appeared clear to the German authorities that exchange-rate stability on a large geographical scale would not be possible on the basis of mere political commitment to price stability, no matter how strong this political commitment might be at the domestic level of each of the countries in the stability coalition. Strong German material support would be necessary to keep the Western European governments that were committed to (domestic and external) anti-inflationary policy on the right track. It was only when Paris was able to show convincing evidence to Frankfurt and Bonn that the ruling elites in France were committed to prioritise price stability in domestic economic policy in the long run that the Germans decided to assist the French authorities – and the rest of the European partners – in their fight against inflation. They did so not through the massive transfer of resources or any inflationary expansion of German demand for rest-of-Europe made products, but through a very sophisticated exchange-rate device: an exchange rate mechanism with strict rules of intervention and realignment which the Germans could use very flexibly if it was convenient to clearly-defined German monetary interests: assistance to the French government – and others – would only materialise in exchange for a clear commitment to both exchange-rate stability and real convergence towards German patterns. It was the confluence of these three circumstances, which occurred during the summer of 1978, that permitted the German Chancellor *and* the *Bundesbank* to devise a formula for assisting the Federal Republic's major partners in their committed efforts at convergence in the managing of their monetary policy. Such a formula, i.e. the EMS, had then to be disguised in a suitable form in order to be publicly presented as a further step on the road towards the European Monetary Union. The more German-minded the European governing élites became, the greater the emphasis on the pro-European Union discourse by all those involved.

The main scholarly challenge in this field is, in this reviewer's opinion, the identification of the precise circumstances determining the policy options that were agreed upon *and* implemented. The subsequent implementation of the Exchange Rate Mechanism, that is the rules of intervention and realignment, shows that it constituted *the* most important feature of the EMS, and was much more significant than the European Currency Unit or the joint credit facilities. After the EMS had been running for a few years its members decided to abandon the realignment possibility and transform the flexible exchange-rate system into a fixed one with the DM as the pivot currency. In other words, by the end of 1986, without any external coercion, Europe emerged as German-minded in terms of exchange-rate policies. For the first time, Germany's natural desire to transform the whole continent in political, economic and social terms appeared to be viable in the long-term perspective because the 'New Order' appeared as the pacific outcome of an endogenous process of transformation which did not remain at the level of élites but received overwhelming social support. This is in essence what Schmidt anticipated to the *Bundesbank*'s central committee on 30 November 1978 (239-241). This, in my view, is what makes the EMS a relevant political instrument, rather than the fact that it emerged out of a carefully orchestrated Franco-German *entente* for the sake of a united Europe.

It is interesting that *A Europe Made of Money* offers confirmation of the long-standing persistence of present attitudes towards the troubled Euro zone: strong-currency countries prioritise stability-oriented economic policies and their industrial-relations institutions have interiorised this priority as a fundamental and unquestionable constraint in their daily work, while weak-currency countries like France and Italy – emulated subsequently by many other Southern European countries – use European and international monetary co-operation and integration formulas to force upon their domestic agents a greater collective responsibility towards the stabilisation of domestic macroeconomic policy and performance. The external-anchorage strategy – first implemented with the EMS and then the EMU – was meant to induce institutional change. The problem is that policy-makers in the weak-currency countries tend to ease the adoption of this strategy by resorting to the ideational value that 'Europe' has traditionally held in France, Italy and most of the periphery countries, and arguing that enhanced monetary co-operation is necessary to stabilise other important aspects of economic policy with clearly-defined electoral constituencies in those countries. This is the case of agricultural prices which the final passage on monetary compensations amounts in the book (251-257) illuminates. The success in disguising what had been conceived of as disciplinary devises (EMS and EMU) as the inevitable steps towards the United States of Europe has aborted fundamental institutional modernisation during thirty years. We are now paying the consequences.

Review by Yuichi Hosoya, Keio University

"Research on the history of European Integration", wrote Wolfram Kaiser, "was first institutionalized with the creation of a specialized Chair (first held by Walter Lipgens from 1976 to 1979) at the time of the foundation of the European University Institute (EUI) in Florence."[1] Emmanuel Mourlon-Druol, a French historian of European integration, wrote his Ph.D. dissertation at the EUI, and his book, *A Europe Made of Money*, is based upon this dissertation. Since Lipgens initiated the first decade of European integration history in the 1970s with the publication of his monumental *Die Anfäange der europäischen Einigungspolitik 1945-1950*, we have, as Piers Ludlow recently pointed out, entered into the fourth decade of this history.[2] Mourlon-Druol's book will definitely be one of the most important contributions to European integration history in this fourth decade.

The foundation of the European Monetary System (EMS) had been established by the governments of the European Economic Community (EEC) as well as by the networks of transnational monetary elites, at the time when Professor Lipgens was teaching European integration history at the EUI in the 1970s. Mourlon-Druol's *A Europe Made of Money* examines how the EMS was created in the 1970s. He meticulously describes the detailed history of European monetary cooperation from 1974 until 1979. This is the first detailed historical account on the creation of the EMS with exhaustive usage of archival resources. Thus, we now know the origins of the Euro that is currently in a deep crisis. By looking at its historical origins, it will be possible for scholars to understand the historical roots of the problems of monetary integration. The repeated clashes between the French and German approaches to monetary cooperation are one of these roots, as Mourlon-Druol vividly described.

Following Lipgens's pioneering work on the history of European integration, many outstanding books have been published. Mourlon-Druol's book clearly shows us that we are now in a new stage of the historiography of European integration history. There are several factors that distinguish this 'new stage' from the previous period. Mourlon-Druol writes that "this book tries to break new ground by analyzing a story where *simultaneously* transnational, intergovernmental, and supranational phenomena mattered, and by explaining why, how, and to what extent attention shifted from one level to another (italics in the original)."(6) For the purpose of doing this, he used "*simultaneously* transnational, intergovernmental, and supranational" historical documents. This was necessary since the

[1] Wolfram Kaiser, "From State to Society?: the Historiography of European Integration", in Michelle Cini and Angela K. Bourne (eds.), *Palgrave Advances in European Union Studies*, (Basingstoke: Palgrave, 2005), 191.

[2] Walter Lipgens, *Die Anfäange der europäischen Einigungspolitik 1945-1950,* (Stuttgart: Klett, 1977); N. Piers Ludlow, "Widening, Deepening and Opening Out: Towards a Fourth Decade of European Integration History", in Wilfried Loth (ed*.), Experiencing Europe: 50 Years of European Construction 1957-2007* (Baden-Baden: Nomos, 2009) 37-8.

creation of the EMS can only be explained "by analyzing the interaction of transnational, supranational, and intergovernmental phenomena, rather than by taking them separately", as he argues in his conclusion (268). This is not an easy task. Mourlon-Druol needed to use materials from eighteen archives in six different countries. He not only investigated the archives of key European governments such as France, Germany and the U.K, but also used the primary sources of supranational institutions such as the archives of Council of Ministers and European Commission, which are newly available at Brussels. Thus, his description of European integration history is much broader and deeper than the work of Lipgens and others from four decades ago, thanks largely to the declassification of a large amount of primary resources.

European integration history in the 1970s is often regarded as being in a state of deadlock, if not perpetual setback. Richard Griffith, a professor of European integration history at the University of Leiden, argues that "the 1970s is often portrayed as a dismal decade in the history of European integration."[3] Mourlon-Druol's description of European integration history in the 1970s looks considerably different than that of conventional understanding. What he aimed to do in this book is quite ambitious. First, he tried to figure out how European integration had been developed, rather than deadlocked, from 1974 to 1979, focusing on the development of European monetary cooperation. There are several important features which vindicate these developments, such as the emergence of transnational monetary elites, the creation of the European Council, and the affirmation of a strong European monetary regionalism. Second, he aimed to link this regional level of cooperation to global development. Not many historians of European integration are paying sufficient attention to global development. Third, his book exemplifies a new methodology in historiography, as already mentioned.

Was he successful in fulfilling these aims? Largely yes. Mourlon-Druol brilliantly shows us that European integration history is neither simply an orthodox international history, nor a transnational history. While Kaiser, another leading historian of European integration of 'the fourth decade', focuses too much upon the importance of transnational networks in European integration, Mourlon-Druol presents a more balanced view.[4] Thanks to Mourlon-Druol's multilevel and multi-actor approach, readers can fully understand how European monetary cooperation started. He implies that because of the necessity of describing the *sui generis* polity of the European Economic Community, European integration history is the most intellectually challenging among all historiographies. Only a handful of leading historians of European integration, such as Mourlon-Druol, Piers Ludlow, and Ann-

[3] Richard T. Griffiths, "A Dismal Decade?: European Integration in the 1970s", in Desmond Dinan (ed.), *Origins and Evolution of the European Union*, (Oxford: Oxford University Press, 2006), 169.

[4] Kaiser, "From State to Society?", 190-208; *idem*., "From Isolation to Centrality: Contemporary History Meets European Studies", in Wolfram Kaiser and Antonio Varsori (eds.), *European Union History: Themes and Debates* (Basingstoke: Palgrave, 2010), 45-65; *idem*., "Transnational Networks in European Governace: The Informal Politics of Integration", in Wolfram Kaiser, Brigitte Leucht and Morten Rasmussen (eds*.), The History of European Union: Origins of a trans- and supranational polity 1950-72* (London: Routledge, 2009), 12-33.

Christina Knudsen, have been able to show us the width and depth of European integration.[5] One of Mourlon-Druol's contributions is that he successfully adopts this methodology through this book.

What he does not sufficiently discuss in his book seems to be the interrelationship between European regional monetary cooperation and global monetary politics. He clearly suggests that "I will argue that if indeed a European polity was emerging, the central problematic was how a regional level of cooperation could fit into global development" (3). What he eventually describes in his book is no more than "the passive role of the United States and the implicit presence of the Cold War" (278-280). It seems that he rather increased his academic interest in this global perspective after he completed this book. In his article on the rise of regular summitry from mid-1970s to early 1980s, he successfully related European regional cooperation with global developments in the G7 summit meeting.[6] If he could have effectively used this framework in his book, he could have presented a much broader perspective that he originally intended.

One more comment. It would have been be more valuable if the author focused further on "the German question" in the making of the EMS. Mourlon-Druol emphasizes the importance of "the return of a strong Franco-German axis, in particular in EEC affairs" (28). But, at the same time, he appropriately describes the differences in their approach to European monetary cooperation. What I would like to see in detail is the power and influence of Germany in the creation of the EMS. To what extent did the German Federal government, and more particularly the Bundesbank, overshadow the process of European monetary cooperation in the 1970s? While the author expertly describes the interrelationship among leading actors such as national governments, transnational monetary elites, and supranational institutions, it would have been more valuable if he had evaluated the element of 'power' in the creation of the EMS.
Mourlon-Druol has written another ambitious work. Having criticized the previous conventional methodology of European integration history, and having read a huge amount of archival resources, he will in all likelihood continue to lead this field in the coming decades. At a minimum, for this reason *A Europe Made of Money* should be widely read and welcomed.

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[5] See N. Piers Ludlow, *The European Community and the Crises of the 1960s: Negotiating the Gaullist Challenge* (London: Routledge, 2005); Ann-Christina L. Knudsen, *Warmers on Welfare: The Making of Europe's Common Agricultural Policy* (Ithaca: Cornell University Press, 2009).

[6] Emmanuel Mourlon-Druol, ""managing from the Top": Globalization and the Rise of Regular Summitry, Mid-1970s – early 1980s", *Diplomacy & Statecraft*, Vol.23, 2012, 679-703.

Review by Amy Verdun, University of Victoria

A Europe Made of Money. The Emergence of the European Monetary System is one of a dozen or so books that have been published recently by Cornell University Press in the excellent *Cornell Series in Money* that Eric Helleiner and Jonathan Kirshner started a few years ago. This book is likely to make some waves, not only in the specific field of European Studies but also in the wider community of International Political Economy scholars.

This book represents the work that Emmanuel Mourlon-Druol did to obtain his doctoral degree at the European University Institute in Florence in the Department of History and Civilisation. It is based on a very wide range of archival material that was collected from eighteen archives in six countries (6).

One might wonder if another book on European monetary integration was really necessary. After all, there are excellent books out there that spell out this very process. Yet most of them focus predominantly on the period that led to the creation of Economic and Monetary Union (EMU) at Maastricht.[1] Those that do include an analysis of the earlier period as part of the study of the whole monetary integration process, typically do not involve major archival work and instead draw on interviews with key observers and secondary sources and/or personal experiences.[2]

A Europe Made of Money, however, is much more similar in focus to a much smaller number of books that focus much more specifically on the early monetary integration period, concentrating in particular on the European Monetary System (EMS) set up in 1979, such as D. C. Kruse's *Monetary Integration in Western Europe: EMU, EMS and Beyond*, and in particular Peter Ludlow's *The Making of the European Monetary System,* and, to a lesser extent, Loukas Tsoukalis's *The Politics and Economics of European Monetary Integration*.[3] In fact, as we read through *A Europe Made of Money*, it is clear that there is definitely a space

[1] Kenneth Dyson and Kevin Featherstone *The Road to Maastricht: Negotiating Economic and Monetary Union* (New York/Oxford: Oxford University Press, 1999).

[2] See, for instance, Kenneth Dyson, *Elusive Union: The Process of Economic and Monetary Union in Europe*, (New York: Longman, 1994), Horst Ungerer, *A Concise History of European Monetary Integration: From EPU to EMU*, (Westport, Conn: Quorum Books, 1997), Kathleen R. McNamara, *The Currency of Ideas: Monetary Politics in the European Union*, (Ithaca: Cornell University Press, 1998), André Szász, *The Road to European Monetary Union: A Political and Economic History*, (Basingstoke: Macmillan, 1999), Amy Verdun, *European Responses to Globalization and Financial Market Integration: Perceptions of Economic and Monetary Union in Britain, France and Germany*, (New York: St Martin's Press; Basingstoke: Macmillan, 2000, Erik Jones, *The Politics of Economic and Monetary Union: Integration and Idiosyncrasy* (Lanham: Rowman & Littlefield Publishers, 2002).

[3] D.C. Kruse, D. C. (1980), *Monetary Integration in Western Europe: EMU, EMS and Beyond*. (London: Butterworths), Peter Ludlow, *The Making of the European Monetary System: A Case Study of the Politics of the European Community*, (London: Butterworths 1982), and Loukas Tsoukalis, *The Politics and Economics of European Monetary Integration* (London: Allen and Unwin, 1977).

for yet one more book broadly on this topic, if only because this author had access to archives – which authors writing in the immediate aftermath did not.

The book commences by stating what we know about monetary cooperation in Europe: European integration had started off well but within the context of the Bretton Woods system of fixed exchange rates. By the early 1970s it had a respectable achievement (especially in the area of the customs union and agriculture). The change in the world economy in the area of currency fluctuations was bound to wreak havoc with this newly achieved European integration process. But achieving cooperation in the area of monetary policy was going to be far from easy. Yet, Mourlon-Druol argues, the conventional story goes that “the EMS suddenly appeared and was intensely but swiftly negotiated.” (4). He states that there is some truth in that story but that for a fuller picture one needs to focus on “the wider trends in European monetary cooperation” (4). Mourlon-Druol’s book seeks to offer insights into how various earlier attempts at European monetary integration played an important role in the EMS’s creation. In his words, it needs an “interweaving of transnational, intergovernmental, and supranational dimensions as well as the interaction among economic, political, political-psychological, and technical dimensions.”(4), leading him to the central question of his study: “how was a European consensus built regarding European monetary cooperation in a world of floating currencies?”(6).

The book seeks to understand the different types of paths that could have been taken to achieve monetary cooperation in the European Economic Community (EEC) at the time. Indeed, there could have been a myriad of possible ways to cooperate and numerous visions of how to move forward, given that the Werner Plan to create an economic and monetary union in the EEC had failed, the snake had mixed results, and there were various visions (‘economists’ and ‘monetarists’) in how to move forward in the area of economic and monetary integration.

In terms of its theoretical contribution, this book offers an eclectic approach, and in that way is similar in analysis to my *European Responses to Globalization and Financial Market Integration* and others.[4] It is similar Kenneth Dyson and Kevin Featherstone’s *The Road to Maastricht* [5] in that it focuses on the personalities and experiences of key individuals as well as the relationships between them (in this case, for instance German Chancellor Helmut Schmidt and French President Valéry Giscard d’Estaing).

The book offers a detailed account of the developments in the area of monetary integration, chronicling first briefly the period from 1945 to 1974. The bulk of the book covers six years running up to the creation of the EMS in 1979. The historical study excels in being firmly based on archival sources and serves to provide a detailed picture of the many plans, proposals and initiatives that were put forward in the EEC and the member states with a

[4] Verdun, *European responses to globalization and financial market integration;* cf Jones, *The Politics of Economic and Monetary Union*.

[5] Dyson and Featherstone, *The Road to Maastricht*.

view to achieving closer monetary cooperation. Mourlon-Druol carefully documents these plans, proposals, and manifestos and walks us through the various European Council meetings during these years that failed to produce the results needed for further monetary integration. Not only are the formal politicians and institutions (Commission and European Council) are discussed, but experts are also examined (such as the economists who wrote the All Saints' Day Manifesto). Mourlon-Druol also points to political-psychological factors, such as the finding by the heads of states or government that it is important to meet informally, or at least without the whole entourage present, to facilitate conversation.

The archival material unearths lots of interesting facts (the term ECU was coined in 1974 by European Commission President François-Xavier Ortoli, 61) but also amusing facts (for example, a poem found its way into the official archives of the Council that served as a plan to create a new European Society (90), which can probably only be understood by realising what dire straits the EEC was finding itself in). Mourlon-Druol eloquently weaves together the story of the creation of the EMS by linking together the plans, the people, and the facts throughout this six-year period. He cleverly presents the fact but also offers political and historical analysis of what is fact and what is 'mythology.' For instance, as is well-known, , technically speaking, the EMS did not at all present a major overhaul from what had been arranged in the context of the snake. But it was politically important to signal that this new EMS heralded a new era (the French wanted economic and political rapprochement with Germany 225). Mourlon-Druol illustrates carefully how this whole process unfolded and how it ended up being concluded as the EMS in 1979 with all EEC members part of it. He also stresses how the final negotiated EMS was the result of "all kinds of actions taken on the margin, if not outside, the Treaty of Rome."(257). He also points to the weakness of the Commission that, despite putting forward proposals at least once a year, was continuously bypassed by the European Council.

As can no doubt be gathered from the above, this book has all the qualities of an outstanding historical study. Yet the book is even more ambitious: in his final chapter Mourlon-Druol seeks to contribute to the political science analyses of European monetary integration. In this chapter he dabbles into learning, the role of elites, epistemic communities (through the participation of specialised committees) but also the contribution of academics and practitioners. He also highlights the rise of the European Council as an institution (which only officially became a formal institution with the Lisbon Treaty but in practice its ascendance can be traced back to the 1970s). Finally, in his concluding chapter he stresses the importance of putting the analytical lens on the interaction of transnational, supranational and intergovernmental phenomena (we are back to the eclectic approach mentioned above).

All in all, this book brings together new archival material. In so doing, he is able to weave together a story that has been hinted at in many of the earlier works cited in the opening paragraph of this review, but did not come out fully. This book offers an important 'missing link' in a chain of writings on EMS and EMU as such should be read by all those interested in understanding Europe's past, present and future monetary cooperation.

Author's Response by Emmanuel Mourlon-Druol, Lord Kelvin Adam Smith Fellow, University of Glasgow

I was delighted by H-Diplo's decision to organise a roundtable on my book and I am very grateful to Diane Labrosse for making it possible. Apart from anything else it is a particular pleasure to see such a nice mix of disciplines and continents gathered in this roundtable. I guess that there is no need for me to remind readers of the core of my book's argument, which is summarised by the four reviewers in different fashions and from the viewpoint of the angles of their own research. I am delighted by the very positive reception the book has garnered, and appreciate the thought-provoking discussions and comments that I will try to address below.

It makes sense to start with the most general comment, that from Mark Gilbert about my book's overall "rhetoric." I must say that at first his remark was a bit puzzling to me, coming from someone who has written a very 'rhetoric'-filled article criticising the progressive, positivist writing of European integration history – a piece which provides basically the answers to his own question about my book's "rhetoric."[1] Gilbert writes that the failed plans proposed before the European Monetary System (EMS) occupy equal narrative space in my book as the EMS negotiations themselves. In quantitative terms, this is quite incorrect: there are three chapters that deal with "failed plans", chapters 2 to 4, page 30 to page 131, that is, 101 pages (not 160). The "Damascene conversion" of West German Chancellor Helmut Schmidt, that is not quite described that way in my text, starts on page 132. Chapter 5 *is* the explanation of it, which does not start at chapter 6, as Gilbert implies (the very section on Schmidt's change of mind is in chapter 5, page 151). But in qualitative terms, it is correct that I nearly give equal analytical space to what can be perceived as "failures" and what can be perceived as "successes."

Gilbert's (conventional) reference point on Schmidt's 1978 turnaround is particularly startling since it typically corresponds to the sort of conventional landmarks he tended to criticise in his *JCMS* article: "The real point is that the 1970s and early 1980s are years of turmoil, not gradual gains, in which individual politicians took unplottable decisions that visibly changed the course of events (…)."[2] My book's "rhetoric" is *precisely* about this: where can we locate the decisions of some policymakers to create the EMS? To the conventional Schmidt conversion of 1977-1978? I don't think it should be limited to that. Hence my detailed examination of the pre-EMS discussions, or, put differently, of what *might* have happened. In his *JCMS* article, Gilbert explains that writing a progressive story has "blinded authors to the possibility that alternative narratives of European integration are possible."[3] But to tell such

[1] Mark Gilbert, "Narrating the Process: Questioning the Progressive Story of European Integration," *Journal of Common Market Studies* 46, no. 3 (2008): 641–662.

[2] Ibid., 651. The passage omitted in parenthesis provides specific examples considered to be landmarks of the period.

[3] Ibid., 1.

alternatives, space is needed, hence the substantial narrative size occupied by failed plans (what might have happened) compared to the EMS negotiations themselves (what actually happened).

Gilbert then implies that the space devoted to what might have happened is too long. I would be happy to answer that, but when criticising a rhetoric one needs a contradiction. At no point in his review does Gilbert say *why* he thinks I devote too much space to these plans (while actually the other reviewers think these plans do matter, and substantiate why they think they do), which would help to effectively come to grips with J.H. Hexter's point that the validity of a mode of explanation exists only in relation to the inquirer's specific question.[4] These plans are presented and analysed nowhere else, so introducing them took more time than would have been otherwise necessary. In addition, "let[ting] the officials speak in their own words," which I think I regularly do, contrary to what Gilbert writes (all authors of the various plans are quoted in their own words when this was doable; let alone the heads of government themselves of course). I have also taken great care to write a book in such a way that the reader not willing to delve into these technicalities can skip them and find summaries of the key points at the end of each chapter, while others will be able to know the specifics. In short, what I did is to present a different way of writing European/international economic history that highlights the paths not taken. I happily agree with Gilbert that doing this is partly "rhetoric," as indeed any history, if not any academic writing in general, is. I believe however that it is nothing less but the core of a historian's task (and craft).

In more general terms, the contextualisation issue comes out under different guises in the four reviews, mostly in positive terms. I note that only one out of the four reviewers raises it. While parts of my book are "hard to follow" according to Gilbert, Fernando Guirao writes that "the author leads the reader through the maze of technical details with care and helps the reader greatly with summaries, recalling lessons from previous sections, and employing strategic deviations towards less technical issues." No surprise that I would tend to agree with the latter, but I guess there is no real final word on this issue as it mostly depends on the reader's prior knowledge of economics, finance, and also (although mentioned by no reviewer) the intricacies of European integration . What is certain is that there is neither need nor space to add the sort of 'Economics 101' introductory chapter that Gilbert calls for; and I would even argue not much more to explain further the "economists vs monetarists" debate which is a very central and basic debate about the entire post-war story of Europe's money that any textbook covers (or should cover) – and hence a specialised book such as *A Europe Made of Money* cannot duplicate. A slightly more detailed explanation of the functioning of the 'snake', as suggested by Fernando Guirao, should indeed have been included (I thought the short existing one was enough). This should not be done, however, at the expense of the optimum currency area (OCA) theory description – the OCA theory seeks to explain in what group of regions/countries the sharing of a currency would be optimum –, which is indeed

[4] In J. H. Hexter's own words "The validity of either mode of explanation is determined by the appropriateness and adequacy of its response to a particular question. In effect, the validity of modes of explanation is not something that exists *in vacuo*, but only in relation to what particular inquirers at particular moments seek to know." J. H Hexter, *Doing History* (London: George Allen and Unwin Ltd, 1971), 31.

key to a longer-term understanding of the broader debates about European monetary cooperation (and brings me back about the "what might have happened" argument developed earlier): discussions about the creation of a single currency in the 1970s cannot be understood without some reference about the OCA framework. OCA theory is "not central to exchange-rate stability debates" as Guirao rightly notes; but OCA theory (or its various avatars that did not use this name) *is* central to the alternative paths not taken: the EMU by the 1980 target, the Marjolin report, the MacDougall report and so on. To put it differently, one of the central questions of the book is: Why the EMS instead of EMU in 1979? Some degree of OCA-like framework is definitely needed in the background to understand the context in which debates, and eventual outcomes, were framed. I wholly agree that some tables and figures showing various economic data are missing in the book. When preparing the manuscript, I assumed that they are so easy to find elsewhere that it was not necessary to include them in the book; with the benefit of hindsight, I agree it would have been much handier to have them included in the book.

I take Guirao's remark that the evidence I present in the book can be analysed in an entirely different way as a compliment – I do not know whether other authors could take that as a criticism – as I hold that any scientific work is after all about falsifiability (and replicability), to use Karl Popper's famous definition.[5] The fact that Guirao is able to reach different conclusions to those I present in the book (although I'm not sure he really is, but that is another matter) is rather good news to me, as this is not necessarily the case in all similar works which do not present much concrete evidence. Regarding Guirao's re-interpretation of my evidence, as hinted at above, I do not think that we disagree that much. In fact, I am not explaining the 1978 U-turn as "the confluence of multiple learning processes" as he writes, but instead as these processes *plus* external triggers for action (essentially the fall of the dollar and the confirmation of French Prime Minister Raymond Barre in power). It is in fact the congruence of both dynamics – external triggers for action and a German satisfaction with the functioning of the snake – that led to the EMS result, namely, a snake-like arrangement celebrated with much fanfare. I rather believe that Guirao's interpretation stresses a different aspect of my own story (namely, German satisfaction with the snake), rather than offering a radical re-interpretation based on the same evidence.

This inclination towards a "German" interpretation of the 1970s is in fact reflected in Guirao's other remark about the functioning of the snake. He writes that I attribute to the snake some "unsubstantiated disqualification." I can only strongly disagree. I do not argue that the snake has been a failure – in fact, Amy Verdun, in her review, writes that "the snake had mixed results," which I think is indeed much closer to my account. When I do write that the snake had "failures" (as indeed at the start of chapter 2) it is mostly because I report the opinion of those who thought so. I substantiate this throughout the book, mostly on occasions when reforms of the snake were suggested. Guirao then makes the case that the snake was *not* a failure, and his way of presenting the successes of the snake is very much in line with the German interpretation of the time (and bearing some resemblance with contemporary

[5] Karl R Popper, *Conjectures and Refutations; the Growth of Scientific Knowledge,* (New York: Basic Books, 1962).

discussions): weak currency countries have to adjust their economic policies so as to be able to remain in the snake. Or to take the problem the other way around: if a country has to leave the snake, it is because it did not follow the appropriate economic policy.

What I try to show in the book is that this interpretation certainly has its merits, but that it also has clear weaknesses. Highlighting these weaknesses does not amount, at least in my view, to endorsing them and taking sides with those who thought the snake was a failure. I rather wanted to reconstruct the terms of the debate between those who were willing to stick to the snake model, and those who did not want to, because they thought this very model was flawed. The problem I see with Guirao's interpretation (and again the German interpretation in general) is that it starts from the premise that finding oneself obliged to leave the snake could *only* be the result of the economic policy mistakes of the government whose currency was forced to leave. This is a very debatable interpretation, since it overlooks what many considered as a major flaw of the snake, that is, that the adjustment mechanism always fell on the deficit country, not the surplus country (read: on Italy or France, not on West Germany). The Germans themselves were very aware of this bias that turned out most of the time to be in their favour. They consistently rejected any modification of the snake mechanism that would rebalance the adjustment mechanism more evenly among participating countries (see the discussions in chapters 2 and 4 about the Fourcade and Duisenberg proposals, for instance) as they knew very well that it would impose on them some constraints were the Deutsche Mark (DM) value to increase.

Why did the German authorities fear such a scenario? Because an increase in the DM value could be caused by external events, not just by the German government's (very successful) economic policy. To take one concrete example from the 1977-1978 period (chapters 4-5), an increase in the value of the DM could very well come from non-economic causes, such as a fall in the value of the dollar (some investors could thus be interested in buying DM, thereby increasing its value). The German authorities did not want to be held responsible for this external cause (even more so since it originated in what they perceived to be the US government's economic "malign neglect"), and certainly would not adjust in consequence. In essence, the reasoning of the weak-currency countries was symmetrical. This was in substance the aim of all post-1974 proposals coming from weak-currency countries, from the Fourcade memorandum (chapter 2) to the divergence indicator discussions during the EMS negotiations themselves (chapters 7 and 8). In short, weak currency countries did not want to have to keep up with an appreciating DM since the appreciation of the DM was not their fault. True, their economic policy results were not brilliant, and this clearly contributed to further monetary divergence; but they did not want to have to bear the consequences (currency appreciation) of the shining success of Germany's economic policy either.[6] As a consequence, the snake could indeed be considered as having some built-in flaws, which the EMS negotiations however only superficially addressed.

[6] It is interesting to note how this tension has remained present until today, albeit in a slightly different form, for instance most recently through the issue of the European Commission's investigation of German trade surpluses.

Yuichi Hosoya's question about the relationship between European regional efforts and global monetary cooperation is a central one, although it is difficult to answer it as it is so much dependent on the context of the time-period under investigation. It appears in my book on many occasions, in fact not just around late 1977-1978 (decline of the dollar and G7 Bonn summit) but also in 1975 (discussions about the creation of a European dollar policy), and throughout the book (especially the very conscious links made by some policymakers between the international system [the International Monetary Fund (IMF) and the Special Drawing Rights] and the European one (the story of the European currency unit and plans for a European IMF). But in other places there is simply not much to say, and I could not invent it. The role of the U.S. in the EMS creation is indeed limited to that of having been a trigger for action – which is a key element, but very quickly summarised, already very well known, and with (so far) no one claiming otherwise. In my article on the rise of the G7 and the European Council that Hosoya mentions, the linkage was much more important and intense, if I may say, in that both institutions were created at about the same time and proceeded from similar dynamics, so they called for an immediate comparison; in the case of the EMS it is equally important but can be summarised quickly: the EMS is a regional answer to a global problem of monetary instability.

I tried on purpose not to focus in too "frontal" a manner on the German question in the EMS – Hosoya's other question –, which is already well studied and I think needs to be "domesticated" to use Gilbert's nice expression. In particular, Schmidt's appearance at the Bundesbank (chapter 8) represents a key moment in replacing the EMS episode in the wider framework of post-1945 German foreign (and especially Franco-German) relations. The element of "power" that Hosoya asks about is nested in this episode, when Schmidt explained his idea that European integration (and the EMS) should be the "European mantle" able "to cover our foreign policy nakedness, like Berlin or Auschwitz, but (…) also (…) these ever-increasing relative strengths, economic, political, military, of the German Federal Republic within the West."[7] But in more general terms, the Franco-German relation is obviously central in the book. Yet one of the striking things I discovered from studying the Franco-German tandem throughout this period is actually how little French President Valéry Giscard d'Estaing and Schmidt shared. The common understanding is that they agreed on virtually everything. Having a closer look at the situation, however, reveals that they most often had starkly diverging interpretations but then, as President of the European Commission Roy Jenkins notes, "the only thing on which they were wholly agreed was the necessity that they should agree." (Quoted on 238-239). But that Giscard could describe the mid-1970s crisis as a currency crisis and Schmidt as an economic one (chapter 3) shows just how different their viewpoints were – and how important it is to devote narrative space to this.

One final word on my overall approach: it is, as Amy Verdun nicely puts it, "eclectic." In that sense it indeed follows her own work as well as Kenneth Dyson and Kevin Featherstone's *Road to Maastricht*, although, because the focus of these books is not so much on the 1974-

[7] Schmidt's declaration at the Bundesbank, quoted p.240 from the English translation of the German document available on the Margaret Thatcher Foundation's website, http://www.margaretthatcher.org/document/111554, accessed 28 February 2014.

1979 period, I'd rather link my book more to Dyson's *Elusive Union* that undoubtedly belongs to Amy Verdun's list too.[8] These works remain the exception rather than the rule. While historians have tended in recent years to move away from what I would describe as a "holistic" approach by focusing instead on transnational and supranational dynamics exclusively, political scientists are all-too-frequently exclusively engaged in model-comparing, model-criticising and model-rebuilding, which does not always help in understanding the forces at play in all their complexity. I hope that the approach presented in the book can indeed overcome these limits, and improve inter-disciplinary dialogue, as the four reviewers suggest.

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[8] Kenneth H. F. Dyson and Kevin Featherstone, *The Road to Maastricht: Negotiating Economic and Monetary Union* (Oxford University Press, 1999); Amy Verdun, *European Responses to Globalization and Financial Market Integration: Perceptions of Economic and Monetary Union in Britain, France and Germany* (New York, N.Y.: St. Martin's Press, 2000); Kenneth H. F. Dyson, *Elusive Union: The Process of Economic and Monetary Union in Europe* (Longman, 1994).