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# ECONOMIC AND MONETARY UNION

Michele Chang

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# Economic and Monetary Union

**Michele Chang**

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*To my parents, Mr Wayne Kwan Chang and Dr Adoracion Palacio-Chang*

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# Abbreviations

| | |
|---|---|
| AIFM | Alternative Investment Funds Manager |
| AMR | Alert Mechanism Report |
| AQR | Asset Quality Review |
| BCBS | Basel Committee on Banking Supervision |
| Benelux | Belgium, Netherlands and Luxembourg |
| BEPG | Broad Economic Policy Guidelines |
| BIS | Bank for International Settlements |
| BRICs | Brazil, Russia, India and China |
| BRRD | Bank Recovery and Resolution Directive |
| CAP | Common Agricultural Policy |
| CDO | Collateralized Debt Obligation |
| CDS | Credit Default Swap |
| CME | Coordinated Market Economy |
| COREPER | Committee of Permanent Representatives |
| CRA | Credit rating agency |
| CRD | Capital Requirements Directive |
| CRDIV-CRR | Capital Requirements Directive IV and Capital Requirements Regulation |
| CSR | Country-specific recommendation |
| DG ECFIN | Directorate General for Economic and Financial Affairs |
| DG EMPL | Directorate General for Employment, Social Affairs and Inclusion |
| DG ENTR | Directorate General for Enterprise and Industry |
| DGS | Deposit Guarantee Scheme |
| EBA | European Banking Authority |
| ECB | European Central Bank |
| Ecofin | Economics and Financial Affairs Council |
| EDP | Excessive Deficit Procedure |
| EEC | European Economic Community |
| EES | European Employment Strategy |
| EFC | Economic and Financial Committee |

| | |
|---|---|
| EFSF | European Financial Stability Facility |
| EFSM | European Financial Stabilization Mechanism |
| EIOPA | European Insurance and Occupational Pensions Authority |
| ELA | Emergency Liquidity Assistance |
| EMIR | European Markets Infrastructure Regulation |
| EMS | European Monetary System |
| EMU | Economic and monetary union |
| EP | European Parliament |
| ERM | Exchange Rate Mechanism |
| ESA | European Supervisory Agencies |
| ESCB | European System of Central Banks |
| ESFS | European System of Financial Supervision |
| ESM | European Stability Mechanism |
| ESMA | European Securities and Markets Authority |
| ESRB | European Systemic Risk Board |
| EURIMF | EU representatives to the IMF |
| Eurodad | European Network on Debt and Development |
| EWG | Eurogroup Working Group |
| FSA | Financial Services Authority |
| FSAP | Financial Services Action Plan |
| FSB | Financial Stability Board |
| FSC | Financial Services Committee |
| FSF | Financial Stability Forum |
| G20 | Group of 20 |
| GATT | General Agreement on Trade and Tariffs |
| IMF | International Monetary Fund |
| LOLR | Lender of last resort |
| LTRO | Long-term refinancing operations |
| MIP | Macroeconomic Imbalances Procedure |
| MME | Mixed-market economy |
| MoU | Memorandum of Understanding |
| MTO | Medium-term budgetary objective |
| NAP | National action plan |
| NCB | National Central Bank |
| NIIP | Net International Investment Position |
| NRP | National reform programme |
| OCA | Optimum currency area |
| OHIO | Own house in order |
| OLAF | European Anti-Fraud Office |
| OMC | Open method of coordination |

| | |
|---|---|
| OMT | Outright monetary transactions |
| PBoC | People's Bank of China |
| PIIGS | Portugal, Ireland, Italy, Greece and Spain |
| PSI | Private sector involvement |
| RQMV | Reverse qualified majority voting |
| SCIMF | Sub-committee on the IMF (part of the EFC) |
| SCP | Stability and Convergence Programme |
| SDR | Special drawing rights |
| SGP | Stability and Growth Pact |
| SME | Small and medium-sized enterprises |
| SMP | Securities Market Programme |
| SRM | Single Resolution Mechanism |
| SSM | Single Supervisory Mechanism |
| TFEU | Treaty on the Functioning of the European Union |
| TLTRO | Targeted longer-term refinancing operations |
| TSCG | Treaty on Stability, Coordination and Governance |
| VRTF | Van Rompuy Task Force |

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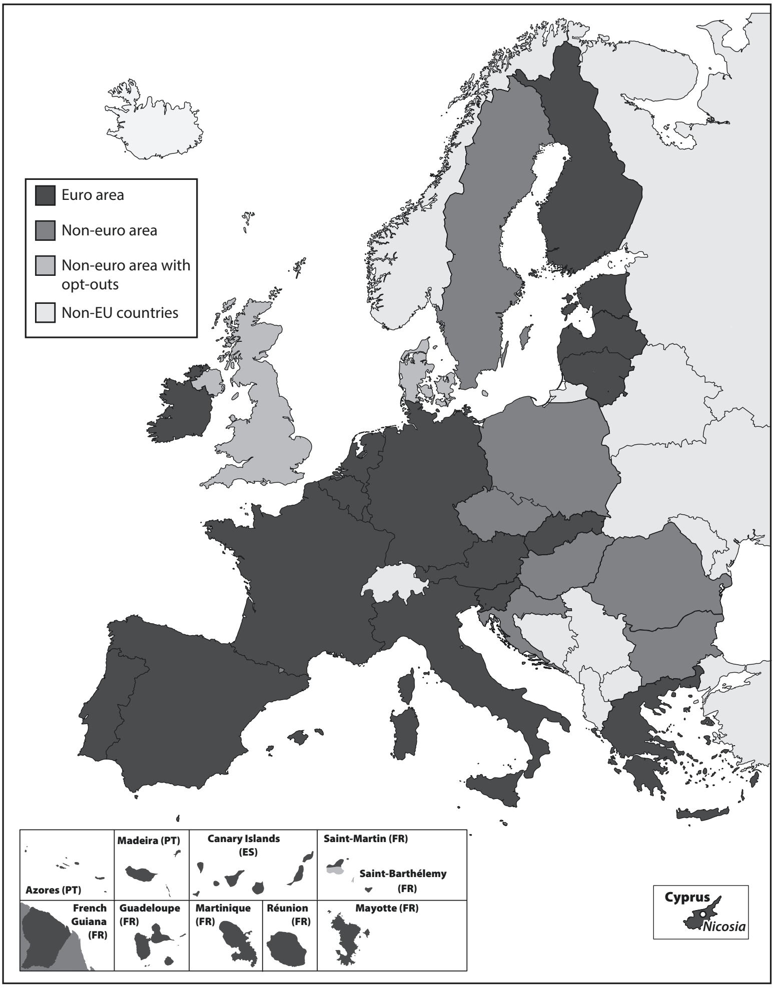
# Introduction

In the spring of 2008 the European Union (EU) celebrated the tenth anniversary of economic and monetary union (EMU). Events in Brussels and Frankfurt marked the successful first decade of the currency. The Economic and Monetary Affairs Commissioner boasted that "the Economic and Monetary Union and the euro are a major success" (Commission 2008, p.iii), while European Central Bank President Jean-Claude Trichet lauded "the vision and determination of the Governing Council members, past and present… who have helped to build a solid foundation for the euro" (ECB 2008, p.6).

This congratulatory air quickly dissipated a few months later when the worst economic crisis for the European Union countries since the Great Depression began. The crisis originated with the American subprime crisis, but quickly exposed the inherent weaknesses in the EU's financial system. Despite the gravity of the global financial crisis, the EU's initial policy responses were quite timid and incremental. The ensuing sovereign debt crisis forced the euro area into tighter integration while hardening the reluctance of certain non-euro area countries to press ahead with delegating greater powers to Brussels. The crisis threatened the breakup of the euro area, as German Chancellor Angela Merkel warned: "If the euro fails, Europe fails" (Spiegel Online 2011). This contrasted sharply with the tone of the euro anniversary events.

Since the onset of the crisis we have seen the EU (or at least the euro area) move towards more integration while simultaneously threatening to disintegrate. On the one hand, the crisis demanded more integration from Europe. As a result, not only is the monetary arm of economic and monetary union more robust (now featuring a crisis rescue fund and a quasi-lender of last resort), but also the EU has made great strides in cooperation in financial, fiscal and economic policies. Though critics argue that these initiatives are insufficient to resolve the underlying weaknesses of EMU, one cannot deny that integration has proceeded at a rapid pace since the start

**FIGURE 1.1 Map of the Euro Area**




of the crisis (at least by European standards). On the other hand, the crisis has had a polarizing effect that has brought the euro area to the brink of collapse and widened the divisions between "euro ins" and "euro outs". Initially speculation centred on the euro area collapsing, mostly on the assumption of a Greek exit ("Grexit"). As the crisis wore on and additional powers were delegated to Brussels, the EU split into several camps. Two decades after the fall of the Berlin Wall, the new geographic division in Europe was north versus south, or core countries versus peripheral countries, or more accurately, creditor (particularly Germany, the Netherlands and Finland) versus debtor countries (derisively summarized as PIIGS or GIPSI for Greece, Ireland, Italy, Portugal and Spain, some of the economies that experienced difficulty financing public debt on the market early in the crisis). This division marks not only the outbreak of the crisis but also its management, as different ideas emerged regarding the best way to promote stability and growth. While the creditor countries have been demanding fiscal consolidation, for example, the debtor countries claim that this chokes off growth, thus preventing tax revenue increases and forcing the adjustment on internal wage moderation.

For the euro outsiders, the crisis prompted their division into three main camps: countries still interested in euro area membership (the Baltic countries all joined after the start of the crisis, for example); those participating in further integration outside of euro area membership so as to have a voice in the policy discussions; and those opposed to both euro area membership and the delegation of further power to Brussels or Frankfurt. The UK's rhetoric shifted speculation from a euro area breakup, through Grexit, to Britain being the one to leave the EU, i.e. "Brexit".

In order to cope with these deep internal divisions, the post-crisis EU economic governance system has been characterized by increasing hierarchy, rising intergovernmentalism, a hardening of the division between euro ins and outs, and differentiated integration. This constitutional hodgepodge was the result of the need to balance the needs of markets, governments and democracy. The theme of this book is that the crisis brought this tension to the fore and the EU's response to the crisis has attempted to reconcile the competing demands of these actors. By markets, I include our understanding of the functioning of markets, in particular the economic theories upon which euro area policies were based. In addition, the consequences of the size and speed of markets, the psychology of market actors and the need to build market credibility all fall under this rubric. By governments, I refer to the incentives of the member state governments, both at the European/international level (such as preferences for supranational institutions versus intergovernmental solutions) as well as their domestic politics. Germany will be given particular attention, given the strong impact it has had on the policies pursued by the euro area. Governments will also include supranational institutions and preferences, as such institutions are important parts of the political process; even the European Central Bank, originally designed as a technocratic body, has taken on a role with undeniable political consequences. By democracy, I include issues of state sovereignty, accountability, and the democratic deficit. There is some overlap with the domestic political explanations given, as public opinion provides an important indicator of the democratic legitimacy of policies. Moreover, the notion of political union is included in order to understand the basis for shared authority and responsibility for policies that are or have been national competences. The EU has long been accused of a democratic deficit, and this has been exacerbated by the crisis. Indeed, support for integration has plummeted in creditor and debtor countries alike while EU policies increasingly impinge on domestic policies. Governments are in the difficult position of responding simultaneously to domestic populations that prefer less integration, while responding to market demands for more integration. Moreover, disagreement abounds on the precise policies that the EU (and national governments) should be following in order to finally emerge from the crisis. These tensions have contributed to the slowness of the EU's response and the at times bungled policy responses. Hayward (2012, p.8) writes that

> resort to non-democratic institutions with an independent influence on major outcomes such as the European Commission, the European Central Bank and the European Court of Justice (ECJ) has been necessary to overcome the lack of democratic consensus… the failure to institutionalize legitimate, accountable and clearly identifiable executive leadership is the fundamental problem.

Under these broad rubrics, I will consider some of the major theories from economics, political science and political economy that have been used to explain the behaviour of markets, governments and institutions. On the economics side, the starting point for analysis of EMU has long been optimum currency area theory. In addition, I will look at theories positing inconsistent trinities and quartets, market speculation (used to explain exchange rate movements as well as bond markets) and economic ideas related to financial markets, particularly efficient market theory. Ideas related to fiscal policy cooperation and economic policy cooperation will also be introduced when appropriate. Political science theories of liberal intergovernmentalism and neofunctionalism have long served as baseline theories for European integration, and they continue to provide explanatory power (or at the very least a useful heuristic) for understanding European policymaking. Midrange theories such as historical institutionalism will also be highlighted. Finally, comparative political economy theories such as varieties of capitalism (including varieties of financial capitalism) are helpful for understanding policy dynamics. The theories mentioned in this paragraph are not intended to serve as an exhaustive list, they are merely representative of the type and range of theories used in later chapters.

Chapter 1 gives a brief history of economic and monetary cooperation in Europe. Starting with the Bretton Woods agreement of the 1940s, the chapter charts the progress of European states from exchange rate cooperation at the international level to European-level cooperation. Its success at stabilizing exchange rates and price levels in the 1980s prompted the move to monetary union. The chapter goes on to describe the first decade of EMU, followed by the global financial crisis and the sovereign debt crisis. Those already familiar with European economic integration can skip this chapter.

Chapter 2 focuses on monetary integration, the most institutionalized element of EMU. The chapter starts with the evolution of EMU, describing its first iteration as EMU 1.0. It was based on the delegation of monetary policy to an independent European Central Bank (ECB), the requirement that participants pass a series of convergence criteria, and the chapter analyses this decision on economic and political grounds. By granting the ECB independence from government interference, prohibiting monetary financing and prioritizing the pursuit of price stability, the Maastricht Treaty set in place a system of monetary dominance in which other policies (like financial regulation and fiscal cooperation) were viewed with an eye towards their potential impact on inflation. Moreover, the impact that monetary integration would have on financial integration, competitiveness and fiscal policy were not fully understood.

The chapter moves on to the changes wrought by the global financial crisis and particularly the sovereign debt crisis in monetary integration, noting the multifaceted nature of the causes of the crisis and the major weaknesses of EMU 1.0's design, before proceeding with a description of the major institutions and instruments associated with the monetary pillar (dubbed EMU 2.0). Supranational institutions like the ECB, the European Commission and the European Parliament are briefly described. In addition, the intergovernmental institutions of the European Council, Ecofin, Economics and Finance Committee, as well as their euro area counterparts, the Euro Area summits, the Eurogroup and the Eurogroup Working Group, are considered. Finally, post-crisis institutions and mechanisms like the European Stability Mechanism and "the troika" are covered.

Chapter 3 looks in depth at the European Central Bank. Already one of the most powerful central banks in the world, the ECB's profile rose considerably in the wake of the sovereign debt crisis. The chapter begins with a description of the ECB's institutional structure and the economic and political rationales behind it. After an analysis of its internal structure and inter-institutional relations, the ECB's roles in setting monetary policy for the euro area, and as the Single Supervisory Mechanism, are evaluated. The chapter concludes with an assessment of the ECB's record, starting from the initial concerns over its transparency and accountability. These concerns have been magnified given the rising prominence of the ECB. The section concludes with an overview of the ECB's actions during the global financial crisis and the sovereign debt crisis, with a focus on non-standard measures.

Chapter 4 covers financial integration in the EU, including banking union. The chapter begins with the evolution of financial integration in banking, noting that despite the rapid growth of cross-border finance, financial supervision remained a national competence. The EU only established an institution to oversee systemic risk (the European Systemic Risk Board) after the global financial crisis. The sovereign debt crisis prompted more significant institutional change with the announcement in 2012 of a banking union, which consists of the single rulebook, the Single Supervisory Mechanism, and the Single Resolution Mechanism (along with the creation of a Single Resolution Fund). Prior to the global financial crisis, the bulk of cooperation in financial regulation happened at the international level rather than the European level. The final section looks at some of the most important international fora in international financial cooperation, including the G20, the Basel Committee on Banking Supervision and the Financial Stability Board.

Chapter 5 concerns fiscal policy cooperation. Although economic theory has indicated the need for fiscal integration prior to monetary union, the EU limited it to fiscal policy coordination under the Stability and Growth Pact. Member states were reluctant to endow the EU with a more substantial budget, i.e. a "fiscal union", leaving cooperation in this area rule-based. In contrast to the monetary and banking pillars, the sovereign debt crisis did not bring about a substantial rethink of the logic behind fiscal policy coordination. The new measures introduced by the six-pack, the fiscal compact in the Treaty of Stability, Coordination and Governance, and the two-pack, reinforced the existing logic on restricting the ability of member states to exceed predefined deficit and debt limits. This contributed to the asymmetry of monetary integration that has been called an "anti-growth bias" in its privileging of price stability (Cohen 2010).

Chapter 6 analyses economic policy coordination, which began as a loose set of measures focusing on policy surveillance and non-binding recommendations from the European Commission and evolved into a more systematic procedure under the European Semester. As with financial policy and fiscal policy, monetary union brought about unintended consequences in economic policy as it contributed to the widening divergence of euro area economies. The European Semester brings together economic and fiscal policy coordination in a way that reinforces the asymmetric nature of EMU. The chapter summarizes the major economic policy coordination mechanisms in the euro area, including Europe 2020, the Macroeconomic Imbalances Procedure and the Euro Plus Pact.

Chapter 7 focuses on the euro outs. While the UK and Denmark had negotiated opt-outs from monetary union when signing the Maastricht Treaty, subsequent countries joining the EU are legally obliged to one day adopt the euro. This chapter explains the process of joining the euro area, as well as the costs and benefits in doing so. A brief explanation is given of the political economy of each of the euro area outsiders, followed by the implications of being a euro out in terms of euro area institutions and policies that impact euro outs, such as the European Central Bank, the Stability and Growth Pact, the Euro Plus Pact, the Treaty on Stability, Coordination and Governance, and Banking Union.

Chapter 8 looks at the international role of the euro, both economically and politically. The chapter evaluates the international role of the euro by looking at its use in the public and private sectors compared to that of the US dollar. Next, the rise of the use of the Chinese renminbi and its impact on the euro is considered. The chapter also covers the exchange rate and the euro area's external representation in the International Monetary Fund. The chapter ends with an examination of the desirability of the euro as an international currency.

The final chapter concludes by briefly summarizing the previous chapters and considering the future of EMU. The official proposals for the completion of EMU in the so-called Five Presidents' Report (Juncker et al. 2015) will be contrasted with the political and economic challenges that remain.

Chapter 1

# History of Economic and Monetary Union

This chapter gives an overview of the history of economic and monetary union, starting from the beginning of European exchange rate cooperation in the 1970s up until 2015. Subsequent chapters will cover the events in more detail, according to the specific issue area (monetary, financial, fiscal or economic integration) or actors (ECB, non-euro area countries, etc.). It begins with a consideration of exchange rate cooperation in Europe, starting with the Bretton Woods system, the Snake, and its successor, the European Monetary System (EMS). The success of the EMS in stabilizing exchange rate fluctuations and lowering interest rates contributed to the decision to create a single currency, the euro. During its first decade the new currency thrived, but the global financial crisis revealed its underlying weaknesses that were further exposed by the subsequent sovereign debt crisis. Therefore EMU (Economic and Monetary Union) 2.0 saw an expanded role for the ECB, the creation of a bailout fund (ESM, the European Stability Mechanism), banking union, tighter fiscal cooperation and more economic policy cooperation. The policies and institutions of EMU are further described in later chapters.

## From the Snake to the EMS

This section covers European monetary cooperation since the end of the Bretton Woods system, starting with Europe's plans for monetary union under the Werner Plan that included exchange rate cooperation under the Snake, and concluding with the EMS.

### The Werner Plan and the Snake, 1969–1976

The Bretton Woods agreement created a system of fixed (but adjustable) exchange rates based on the gold-dollar standard. The accord was signed in 1944 and ended in 1971. During the final years of the Bretton Woods system, the European governments looked to the future at how they would be able to stabilize exchange rates as the US became increasingly reluctant to intervene in foreign exchange markets. European economies were (and still are) more open than that of the US, thus they suffer more from exchange rate fluctuations as they disrupt international trade flows that form a larger part of their economy. Moreover, the proper functioning of other European Economic Community (EEC) policies such as the Common Agricultural Policy (CAP) also required exchange rate stability (Giavazzi and Giovannini 1989).

At the Hague Summit in December 1969, West German Chancellor Brandt endorsed European monetary integration (a departure from West Germany's previous preference for IMF-based solutions), an objective shared by French President Pompidou (Tsoukalis 1977). With political support at the highest levels in place, in 1970 the Werner Plan articulated the goal of European monetary union by 1980. Monetary union would be achieved in three stages:

1. Reducing currency fluctuation margins in Europe, setting broad Community-level economic policy guidelines, fiscal policy coordination, and changes to the Treaties of Rome;
2. Financial market integration, removing capital restrictions, eliminating exchange rate fluctuations, and short-term economic and fiscal policy coordination;
3. The irrevocable fixing of exchange rates, economic policy convergence, and a Community-level system of central banks.

Another important element of the Werner Plan was the expectation that it would lead to political union (p.12). Moreover, unlike the 1992 Maastricht Treaty that established monetary union, the Werner Plan incorporated fiscal union as part of its plans for monetary union.

On 15 August 1971, the US government "closed the gold window" (Gowa 1983) when it refused to convert dollars into gold, signalling the end of Bretton Woods. Nevertheless, several features had been established that would remain hallmarks of the international monetary system. First, the success of international monetary cooperation rested with the willingness to accept the interference of partner countries in domestic political matters (Gros and Thygesen 1998, p.7). This readiness to accept such infringements on sovereignty would be a key determinant of the waxing and waning of European monetary cooperation throughout the post-war era. Second, in 1951 Germany was running a current account surplus, a condition that became a staple of the international monetary system (James 2012). Third, the burden of adjustment fell disproportionately on the country running a deficit. As we shall see, even when a system is specifically designed to oblige both surplus and deficit countries to intervene, as the European Monetary System was (see below), the onus of adjustment still shifted to the deficit country (Gros and Thygesen 1998). Finally, the dominance of France and especially Germany in European monetary affairs also became firmly entrenched (Chang 2014a; James 2012; Tsoukalis 1977).

The Smithsonian Agreement of December 1971 established new central exchange rates for the currencies and allowed currencies to fluctuate up or down by 2.25 per cent. By extension, the reciprocal rates between any two EEC currencies became 4.5 per cent, an unacceptably high level given the stability required by the CAP. Intra-EEC bands were reduced to 2.25 per cent in February 1972. Moreover, exchange market interventions would cease to be made in dollars: only European Economic Community currencies would be used (Tsoukalis 1977).

European monetary integration began picking up momentum as the new international context threatened European exchange rate stability. On 24 April 1972, European-level exchange rate cooperation began with France, Germany, Ireland, Luxembourg and the Netherlands as the original participants of a fixed exchange rate system known as the Snake; the UK, Denmark and Norway joined the following month. But continued speculation in currency markets prompted the withdrawal of the UK in June, followed by Denmark (the latter rejoining in October). Despite the devaluation of the dollar, continued speculation against European currencies led to new capital restrictions to control the inflows (Tsoukalis 1977). The decision to float the dollar in March 1973 intensified tensions in the Snake, forcing considerable intervention by the German Bundesbank as the Snake splintered off into a group of strong currencies (German mark, Dutch guilder and Norwegian krone) and weak currencies (French franc, Belgian Luxembourg franc, Danish krone and Swedish krona) (Gros and Thygesen 1998). France had a particularly rocky history, withdrawing in 1974, returning in 1975 and withdrawing again in 1976. The Snake featured regular exchange rate realignments as well, as the German mark, Dutch guilder, Norwegian krone, Belgian franc, Danish krone and Swedish krona all made exchange rate adjustments. The Snake would continue to eke out an unstable existence over the next few years, but given its numerous realignments and inconsistent membership, it no longer served as a credible foundation for monetary integration. By the latter half of the decade, the Snake essentially operated as a mark zone, with Belgium, Denmark and the Netherlands tightly shadowing the movements of the German mark.

## The European Monetary System and the Road to Economic and Monetary Union, 1979–1998

The 1970s was a volatile decade for the international economy. The American government's policy of benign neglect towards the dollar (referring to its refusal to intervene in foreign exchange markets to stabilize rates) led to substantial exchange rate fluctuations for the European currencies. This damaged the trade relations of these relatively open economies and the Common Agricultural Policy. Exchange rate instability threatened European business and agricultural interests to the extent that exchange rate cooperation was once again relaunched in 1978. French President Valéry Giscard d'Estaing and West German Chancellor Helmut Schmidt took the initiative in resuming exchange rate cooperation in Europe so as to create a zone of monetary stability in an uncertain international environment (Ludlow 1982). Though it dealt with the technocratic world of exchange rates, negotiations were handled at the highest levels, with heads of government meeting in order to construct what would become the European Monetary System (EMS).

The EMS was launched in March 1979 with eight member states: Belgium, Denmark, France, Germany, Ireland, Italy, Luxembourg and the Netherlands. It was unclear at the start if Ireland and Italy would become full participants, and a combination of side payments (for both) and a wider fluctuation band (for Italy) permitted their involvement. The EMS had much in common with its predecessor, the Snake. They were both fixed but flexible exchange rate systems in which participating currencies could fluctuate within a certain band from the central rates. For most of the currencies this was 2.25 per cent, though Italy negotiated a 6 per cent margin. This exchange rate commitment was the heart of the EMS and was formally known as the Exchange Rate Mechanism (ERM). Britain opted out under the Callaghan government, but the

Thatcher government came to power later that year and officially entered the EMS, but without the commitment to fix the pound within the ERM.

The EMS was realigned seven times during its first four years (see Table 1.1). The commitment to the ERM seemed relatively weak and did little to stabilize exchange rate expectations. The turning point came in 1983 with the French U-turn when the liberal wing of the Socialist Party seized command, and the French government followed a *franc fort* policy in which monetary policy closely followed that of the German government as economic policy became increasingly market-oriented (Bauchard 1986; Hall 1985; Ross 1996). The subsequent period of 1983–1986 saw an EMS that served as a stronger constraint than it had during its initial years of operation. Inflation levels began to decline and interest rates also converged to a lower level.

In 1986 the Single European Act was signed, giving new life to European integration and generating spillover effects in the call for further monetary integration in order to reap the expected benefits of the single market. Another impetus for further monetary integration was contained in its provision for the free movement of capital. While some states like Germany and the UK had already lifted capital restrictions long before, many member states still resorted to their use in order to manage currency speculation. However, they were becoming less useful in stemming capital outflows and were out of line with the more market-oriented economic policy that had begun to take over the advanced industrial democracies.

The period from 1987 to 1992 saw the EMS bands "harden" (see Table 1.1) in that markets (and governments) essentially treated the exchange rates as if they were fixed. Save for the devaluation of Italy in 1990 in conjunction with its move from the wider fluctuation bands to the narrow ones used by other ERM members, there were no realignments during this period after the January 1987 revaluation of the mark.

At the 1988 Hanover European Council, "In adopting the Single Act, the member states confirmed the objective of progressive realization of Economic and Monetary Union" (European Council 1988). European Commission President Jacques Delors was charged with forming a committee to determine how to achieve this objective in concrete stages. Delors requested that the central bank governors be involved in order to form a consensus among them and

**TABLE 1.1** *EMS Realignments against Central Rates 1979–1993*

| Date | | | Belgian franc | Danish krone | French franc | German mark | Dutch guilder | Irish punt | Italian lira | Portuguese escudo | Spanish peseta |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 24 | September | 1979 | | -2.9 | | +2.0 | | | | | |
| 31 | November | 1979 | | -4.8 | | | | | | | |
| 2 | March | 1981 | -4.8 | | | | | | -6.0 | | |
| 5 | October | 1981 | | | -3.0 | +5.5 | +5.5 | | -3.0 | | |
| 22 | February | 1982 | -8.5 | -3.0 | | | | | | | |
| 14 | June | 1982 | | | -5.75 | +4.25 | +4.25 | | -2.75 | | |
| 21 | March | 1983 | +1.5 | +2.5 | -2.5 | +5.5 | +3.5 | -3.5 | -2.5 | | |
| 21 | July | 1985 | +2.0 | +2.0 | +2.0 | +2.0 | +2.0 | +2.0 | -6.0 | | |
| 7 | April | 1986 | +1.0 | +1.0 | -3.0 | +3.0 | +3.0 | | | | |
| 4 | August | 1986 | | | | | | -8.0 | | | |
| 12 | January | 1987 | +2.0 | | | +3.0 | +3.0 | | | | |
| 8 | January | 1990 | | | | | | | -3.7 | | |
| 13 | September | 1992 | | | | | | | -7.0 | | |
| 17 | September | 1992 | | | | | | | | | -5.0 |
| 22 | November | 1992 | | | | | | | | -6.0 | -6.0 |
| 10 | January | 1993 | | | | | | -10.0 | | | |
| 13 | May | 1993 | | | | | | | | -6.5 | -8.0 |

*Source*: Eurostat