

Suggested amendments to Part III

1. Para. 48, pp. 34-35

Replace paragraph by:

48. Indivisibility and gradualism. Gradual progress in a step-by-step approach must not produce ambiguity as to who - a national government or the Community, which organ or institution - has the ultimate responsibility for particular policy decisions and their execution. Any such ambiguity would create a risk of policy conflict and of market uncertainty. Whereas in the budgetary field policy functions can be, and are, shared between different levels of government in all constitutional systems, monetary authority is not easily divisible.

Authority will not be divided once exchange rates have been irrevocably locked because - as explained in Part II of this Report - a common monetary policy will then be required and will have to be formulated collectively in the framework of the European System of Central Banks. However, as long as national governments retain the use of realignments of the central rate for their currencies as they do in the present EMS and as they would do in the stages prior to the irrevocable locking of parities, ultimate monetary responsibility rests with national governments and central banks, though in practice that responsibility is severely circumscribed by the need to obtain the agreement of partner countries to a realignment and by the need to manage its instruments in a co-operative rather than a competitive manner.

For the stages prior to the locking of exchange rates the challenge is to develop rules and procedures which make possible the shifting of responsibility for some monetary instruments to the Community level while leaving that for others to individual governments (realignments) and national central banks (short-term interest rates). The description of the

pre-monetary union stages below takes up illustrative examples of how experience might be gained in the joint management of some instruments, viz. foreign exchange interventions in third currencies and reserve requirements.

2. Para 59-61, pp. 39-41

Replace paragraphs by Governor Leigh-Pemberton's draft para. 14.