MAASTRICHT AND THE ROAD TO MONETARY UNION: A CHRONOLOGY

1989
“Delors Report” on Economic and Monetary Union
(move towards single currency in three stages, vague on economic union)

1990
European Commission Report “One Market, One Money”

December 1991
Treaty on European Union negotiated in Maastricht (December 6)

Timetable
Stage One: complete Single Market (i.e. abolish all capital controls),
intensify co-operation among central banks, start in 1991
Stage Two: set up European Monetary Institute as forerunner of EU central
bank (monitors and co-ordinates monetary policies of member states)
Stage Three: irrevocable fixing of exchange rates among countries which
meet convergence criteria (except UK) and replacement of their national
 currencies by EU currency; transformation of EMI to fully independent
European Central Bank

Convergence Criteria
• Government deficit $\leq 3\%$ of GDP
• Government debt $\leq 60\%$ of GDP
• Inflation rates $\leq 1.5\%$ above average of three countries with lowest
  inflation
• Long-term interest rates $\leq 2\%$ above average of three countries with
  lowest rates
• Membership without devaluation of currency in ERM for two previous
  years

1992
Ireland and France ratify Maastricht treaty in referenda, Denmark rejects it;
ERM crisis (UK and I leave ERM)
1993
Denmark accepts treaty in second referendum (gained opt-out from EMU);
German constitutional court allows ratification;
ERM bands widened to +/- 15%

January 1994
Start of Stage Two; European Monetary Institute set up in Frankfurt (president
Alexandre Lamfalussy; Willem Duisenberg from July 1997)

December 1995
Madrid Summit of European Council: single currency will be named “euro”

December 1996
Dublin Summit of European Council:

Stability and Growth Pact
• Based on draft “Stability Pact” by Theo Waigel
• “Excessive Deficit Procedure” if general government deficit > 3% of GDP
  (Commission triggers procedure, ECOFIN Council decides)
• Sanctions: non-interest bearing deposit, converted into fine after 2 years if
deficit not corrected; fixed component (0.2% of GDP) + variable component
  (1/10 of excess deficit); maximum = 0.5% of GDP
• Three derogations if deficit is “exceptional”: (1) “unusual event outside the
  control of the Member State”, (2) “severe economic downturn” = annual fall
  of GDP of at least 2%, (3) if downturn is particularly “abrupt” or
  “accumulated loss of output” is large, and if GDP fall is between 0.75% and
  2%

Proposals for ERM2
• voluntary membership
• “relatively wide fluctuation bands”
• intervention at the margins “automatic and unlimited” in principle; but ECB
  has discretion when price stability is threatened by intervention
• closer fluctuation bands can be agreed on initiative of the country concerned

1997
Reference year for convergence criteria

May 1998
Decision by European Council on who meets convergence criteria: 11 countries
in starting group
January 1999
Start of Stage Three: ECB takes over monetary policy from national central banks; exchange rates of participating countries irrevocably fixed

September 2000
Denmark rejects adoption of the euro in a referendum

January 2001
GR admitted to euro group

January 2002
Introduction of Euro coins and banknotes

February 2002
National coins and banknotes lose legal tender status

September 2003
Sweden to hold referendum on adoption of the euro

2004
Enlargement (10 candidates: Estonia, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia, Czech Republic, Hungary, Cyprus)