After the Second World War, the Bretton Woods International Monetary System was established by the Western market economies. Under US dominance, this system was designed to ensure the monetary stability necessary for economic regeneration to take place. By the 1960s, however, it had come under great pressure through exchange rate fluctuations, which led to the devaluation of the French Franc and the revaluation of the West German Mark. The problems in France and Germany, in turn, ‘threatened the stability of other [European] currencies’,\(^1\) challenging the increasing levels of trade and the solidity of EU policies inside the European Community. Within this context, the Hague Summit of December 1969 first made economic and monetary union a goal of European integration through proposals to create narrow margins of exchange rate fluctuation within the EC (the Werner report, 1970). In March 1972, the so-called ‘snake in the tunnel’ was launched, which consisted of a managed floating of currencies (‘the snake’) within narrow margins of fluctuation against the US Dollar (‘the tunnel’). Thrown off course by oil crises, the weakness of the dollar and differences in economic policy, the *snake* lost most of its members in less than two years, and was reduced to a ‘Deutschmark’ area (Germany, Benelux and Denmark). In 1979, a new initiative was launched by French President, Valery Giscard D’Éstaing, and German Chancellor, Helmut Schmidt, to create greater monetary stability through a European Monetary System (EMS). The Single European Act launched the Community’s Single Market Programme, which, when combined with the success of the EMS, further enhanced the integrative logic of a Single Currency. The political will to actualise this logic emerged in the late 1980s as a response to *climatic changes* that included German unification.
This section will look at SPD policy on European Economic and Monetary Union after 1990. EMU is an especially apt case study, since it has not only been a high-profile subject of European integration spanning the entire period since 1990, but has itself also shaped the EU policy climate: it is what Anderson calls a ‘constitutive’ policy by virtue of its ability to ‘establish or amend the Community rules of the game’.\(^2\)

SPD policy will be analysed using the model set out in the introduction (Figure I.1), reflecting on the climatic change that has remoulded the policy environment (Chapter 2) and demonstrating the influence of the internal dynamics (Chapters 5–7). The policy of the party, or – to be more precise – the various strands of European policy within the party at the federal level, will shed further light on the policy contexts described in Chapters 3 and 4, as the SPD has moved along the opposition–government axis.

Chapter 8 presents a chronological examination of SPD policy on Economic and Monetary Union between 1990 and 1996. This will be achieved, first, by looking briefly at the background behind the Treaty on European Union (TEU or ‘Maastricht Treaty’) and the SPD’s views on Monetary Union at its conception. Second, the agreement of the Maastricht Treaty itself through an Intergovernmental Conference will be examined, studying the input of key German actors in the negotiations and the SPD’s assessment of the accord. Third, the chapter will analyse the evolution of SPD policy on EMU through the mid-1990s, charting the rise of scepticism in the public and, then, among certain elements of the party leadership. The chapter will explain and interpret the development of SPD policy – from the cross-party consensus at the conception of EMU and the signing of the Maastricht Treaty to the questioning of the Single Currency by major figures in the party leadership in the mid-1990s – which came to challenge institutionalised patterns of European policy in the SPD and Germany as a whole.

**Creating monetary union**

As argued above, the need for stable exchange rates between members of the European Community, combined with a desire to draw the natural conclusions from a Single Market (to incorporate the free flow of goods and capital), created a certain degree of economic logic behind EMU, especially for an export-oriented country like Germany. Germany supported the concept when, at the Hanover Summit in June 1988, the European Council called for the setting up of what became known as the Delors Committee to more closely define Monetary Union and the