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MC/tdb

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For Information

Concerning: Long-term evolution of major currencies

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Please find attached the two graphs (including comments):

- Evolution of 13 major currencies of the international monetary system since 1958;
- Evolution of the USD against the European Monetary System (or against its last declared parity in 1973).

which I could carry out with the assistance of Mr. Broekhuizen in relation to computer programming.

These graphs are by-products of the regular up-dating of the dossier "UEM (Union économique et monétaire)" which I prepare on my own initiative in the framework of the introductory conferences for the 200 trainees of the Commission, twice a year.

The data on which these graphs are based are published in the UEM document, which also contains basic information on international economic interdependencies and monetary integration, especially between member countries of the European Community.

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Comments concerning the graphs:

- 1: Evolution of 13 major currencies of the international monetary system since 1958
  - 2: Evolution of the USD against the EMS (or its last parity in 1973)
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ad 1. - The long-term evolution of currencies can detect monetary interdependencies, similar structures of economies as well as policies conducted in different countries.

- The evolution of 13 currencies between 1958-1-1 and 1984-12-31 shows not only a diverging international monetary system but also relative symmetry between appreciated and depreciated currencies in relation to the numeraire:

1 USD (1958-1971) = 1 SDR = 1 EMUA = 1,20895 ECU.

- At least until the introduction of the basket unit ECU (March 1979) one could say without any restriction that in every period when the curves of two currencies crossed each other there has been on the market the same exchange relation: between these two currencies as in 1958.
- Between the DM and SFR (until 1977) and between the FF and UKL one can sometimes speak of a kind of "catch-up effect"; although the DM revalued in 1961 and 1969 the Swiss franc maintained its parity until 1971, but when it started to float in the beginning of 1972, it overshot the DM in 1976, then undershot it in 1977 and finally overshot it again. One can follow the same phenomenon between the FF and UKL: the FF devalued at the end of 1958, about nine years later the pound sterling (UKL) devalued by almost the same amount; in 1969 the FF devalued again and when the pound started to float in 1972, it overhotted the FF for reaching the same parity in 1974 with the FF after the latter started to float. Although the UKL continued to float and the FF participated in a system of stable but adjustable rates, now in 1984, one again finds both currencies very close together.
- From 1971 until 1980 one finds a remarkable interdependence between the USD evolution and the evolution of the FF, LIT and UKL. A relatively parallel evolution can also be seen between the DM, OS, HFL and SFR.
- The evolution of the YEN is characterised by the fact that it is sometimes torn with the evolution of the USD and sometimes with that of the SFR and DM.

ad 2. - Although there have been exchange rate cycles in the '70s, the total fluctuation of the USD from minus 30% to plus 45% against the EMS within five years could be considered, commercially and economically, as non-justified fluctuations.

# EVOLUTION OF 13 MAJOR CURRENCIES OF THE INTERNATIONAL MONETARY SYSTEM SINCE 1958

(in terms of the international numeraire used by central banks of the European Community)  
1 USD (1958-1971) = 1 SDR (1) = 1 EMUA (2) = 1.20895 ECU (2)

Index : 1.1.1958 = 100

Reference Base : parity, central rate or theoretical rate (3)  
of 1 unit of the currency indicated in terms  
of the above-mentioned numeraire.

