

The troubled path of the EC currency snake



1972: Belgium, Denmark, France, Italy, Norway, UK and West Germany link currencies to U.S. dollar creating European 'currency snake'



March: European Monetary System and ERM set up



June: France devalues, declaring 'franc fort' policy



July: Bundesbank forced to exchange Deutschmarks for ostmarks at one-for-one



October: UK joins ERM



Sept 6: EC ministers rule out realignment



Sept 13:
Lira devalued
by 7%



**Sept 16:
Black Wednesday
– UK leaves ERM**



Sept 17: Italy leaves ERM. Portugal and Spain devalue



Sept 22:
UK interest rates
cut from 10% to 9%



Oct/Nov: Further cuts reduce UK interest rates to 7%



Nov 22: Portugal and Spain devalue by 6%



January: Following emergency meeting of EC Monetary Committee Irish punt is devalued by 10%



February: Germany cuts discount rate by 0.25% and Lombard rate by 0.5% to 9%

July 30: French franc pushed through ERM floor several times, forcing central banks to intervene

August 1: 12-hour emergency session of EC finance ministers and central bank governors results in major reshaping of ERM

August 2: Franc continues to fall. Interest rates throughout EC set to tumble as members try to pull out of recession

