'Germany's anti-European challenge', from Le Figaro (17 June 1971)

Caption: On 17 June 1971, the French daily newspaper Le Figaro harshly criticises the monetary policy of the Federal Republic of Germany (FRG) and simultaneously deplores the attitude of Karl Schiller, West German Minister for Economic Affairs and Finance.

Source: Le Figaro. 17.06.1971, n° 8 321; 145e année. Paris: Le Figaro. "Un défi anti-européen de l'Allemagne", auteur:Vernay, Alain , p. 1.

URL:
http://www.cvce.eu/obj/germany_s_anti_european_challenge_from_le_figaro_17_june_1971-en-af0b49d5-ab18-404f-bb3b-f5468f485fab.html

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Germany's anti-European challenge

In the wake of the Conference of Finance Ministers of the Six held in Luxembourg, it appears that the German mark will continue to float and that Europe will continue to face a second ballot in all, including the parliamentary, senses of the word: for the foreseeable future, there will be no joint decisions, but merely the prolongation of current business.

While giving himself a pat on the back for having stemmed the influx of capital looking for a safe home to his country, the Minister for Economic Affairs and Finance, Mr Schiller, declared that Germany intended to break the vicious circle of inflation in which the other nations were embroiled.

Would it be unfair to suggest that Mr Schiller, calling on a certain sense of German virtue, had thrown down a gauntlet which was both anti-American and anti-European? This may be a somewhat perfunctory assessment, since Mr Schiller's game may not have been devoid of 'colossal finesse'.

In Germany, the flotation of the mark was presented — albeit by the staunchest of pro-Americans — 'as liberation from the dictatorship of the dollar', to quote Dr Emminger, second in command at the central bank. This is a view which, as they no doubt thought in Bonn, might please both France and those countries under strict financial management, for which the permanent deficit in the American balance of payments gives cause for concern.

However, Mr Schiller's stance was presented to the German electorate as an expression of his concern to prioritise their own interests over all other foreign interests.

That is how it looked at first glance. But why make it known in Luxembourg that the mark would continue to float for a long time to come, and certainly until the opening of the International Monetary Fund Conference in September? Did not Germany consider that its procrastination would make a subsequent attempt to opt for greater exchange-rate flexibility more effective? Under such a scenario, Mr Schiller would have begun by teaching Washington a lesson, making it understand that any future revaluation of the mark would be linked to concern for good internal management rather than to any desire to strengthen the dollar. Then, in the autumn, Bonn would show the United States that this flexibility in relation to the American currency would help Washington to persist with its policy of 'benevolent negligence' as regards the foreign exchange deficit.

At the same time, this would lead the Europeans, in an attempt to safeguard the cohesion of the EEC, to fall into line over the mark, by deciding upon a tightening up of parities between the currencies of the Six and a similar relaxation in relation to the dollar.

In such a case, not only would Washington be satisfied, but at the same time a European mark area would be created, perhaps constituting the first step towards a dollar–mark standard.

Does this calculation not have the major drawback of being doomed to failure because of the hesitation of nations who prefer inflation to recession, rather than supporting Germany, which prefers recession to inflation?

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