

## 'Freedom regained' from Le Figaro (3 August 1993)

**Caption:** On 3 August 1993, the French daily newspaper Le Figaro comments on the decision taken by the Finance Ministers and Governors of the Central Banks of the Twelve to extend the margins for exchange rate fluctuations of the currencies participating in the European Monetary System (EMS) to 15 % in response to the exchange-rate crisis.

**Source:** Le Figaro. 1993.08.03, n° 15 225. Paris: Le Figaro. "Liberté retrouvée", auteur: Villin, Philippe, p. 1.

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## Freedom regained

by Philippe Villin

Stretching the fluctuation margins within what some people are still calling the European Monetary System (EMS) and others are already referring to as the 'late EMS' makes it possible — in an elegant way, without losing face — to resolve the untenable situation facing most of our continent's currencies.

This hollow compromise seems to have been reached following a fierce trial of strength, particularly between Paris and Bonn. The German Government was refusing to recognise stubborn facts, namely its role in the attacks on other currencies. How could Europe's other economies — plunged into a recession, indeed a depression, the likes of which had not occurred in sixty years — be expected to stand up to German interest rates? Those in economic and market circles could only hope and pray for a cut in European interest rates, however much the Bundesbank might want to counter the inflation created by Helmut Kohl's policies. The dichotomy between German interest rates and those of the other European economies had become patently obvious to all but a few French technocrats and Brussels-based Eurocrats. The only explanation for Germany's obstinate refusal to face up to reality was the blindness of Chancellor Kohl, a major political figure but one worn down by the scale of what he had achieved, coupled with the provincial outlook of the Bundesbank, jealously guarding its independence and humiliated by what had happened in July 1990.

The markets were to get the better of that stubbornness.

With respect to our own country, the Prime Minister can take pride in having forced us all to face up to our responsibilities, as he mentioned last Friday when he said that France would have 'nothing imposed upon it'. Since coming to power, he has done everything he can to save the EMS. He succeeded in lowering our short-term interest rates to a level slightly below German rates, while also pursuing gradual economic recovery. But in order to continue along that road, Bonn and Frankfurt would have had to come quickly to the realisation that they needed to help us by giving clear signals of an impending cut in interest rates, of crucial importance for the recession-hit French economy, whatever the flawed data and the denials coming from the Ministry of Finance might suggest.

Under these circumstances, no one, from the Prime Minister to the humblest Frenchman, need feel any responsibility for the blow suffered by the European project.

Our country now has the leeway to pursue the Government's economic recovery programme. No one doubts that the Prime Minister and the other ministers will make the best use of it, particularly in terms of cutting interest rates, which has now been made possible and will most probably be implemented on a gradual basis.

Of course there will be those on both the left and the right who will want to pillory Édouard Balladur by accusing him of capitulation and will try to set him a trap by claiming that he has switched policies. In fact he will simply have shown once again his pragmatism and tactical skills and his infinite patience in pursuing the Franco-German dialogue to the very end. Let the majority party reflect on that and leave the arguing to the left. Quite clearly, the extraordinary level of confidence that the Prime Minister enjoys among his own people and in international financial circles is protecting him and will allow him to continue to put France back on the path to growth.

More than ever, our country has reason to be hopeful.