

Kebschull, Dietrich

Article — Digitized Version

A German-American problem

Intereconomics

Suggested Citation: Kebschull, Dietrich (1969) : A German-American problem, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 04, Iss. 1, pp. 3-, <https://doi.org/10.1007/BF02930064>

This Version is available at:

<https://hdl.handle.net/10419/138096>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

A German-American Problem

Especially the United States seem to like German proposals for making it easier to invest German capital directly in foreign countries, and thus to reduce the German surplus on international payments account. For American worries about the US balance of payments are, naturally, of a different kind from the German ones but in no way less serious. It could be possible for German capital to assist in reducing the net deficit in the US balance of payments.

However, up to the present time, neither a strongly increased activity by numerous institutions of the USA nor German recommendations have effectively increased the German propensity to invest. German businessmen have not only been frightened by the treatment of foreign property after wars, but also the much greater difficulty of guiding and managing their enterprises over an immense distance, higher labour expenditure, unfamiliar marketing methods, the much more difficult access to the local capital market, and the uncertainty about the taxes levied on profits, all play a part to make them reluctant to invest. However, the ultimate obstacle which cannot be overcome easily is the relative exchange rate of the two currencies, which is highly unfavourable for the German side.

The proposal to the Federal German Government to reduce these difficulties by granting investors tax advantages, does indeed make sense in the present situation. Yet the belief of some industrialists that such fiscal assistance might be able to mobilise billions and billions of D-Mark for an exodus into the USA seems to be more than optimistic. It is much more probable that German companies will first cautiously test and only gradually enter the US market, causing a massive redeployment of the flow of capital exports only over a longer period. This means that the short-term effect of such changes on the balances of payments of the two countries will be correspondingly modest.

It seems to be clear that especially German city and economic editors misjudge these facts. City pages and economic journals have been tending recently to look for the key to the land of Cockayne, where external accounts will be perpetually safeguarded against violent fluctuations, in the workshop where foreign investments are forged. They are even digging up the ancient belief, obsolete for more than forty years now, in foreign investment being an instrument for reducing exports, which would then also serve as a tool for lowering the German foreign trade surplus. The simpletons who argue like this also believe that the products manufactured by foreign subsidiaries and associate companies will no longer be exported by the parent companies. In the first instance, these wiseacres usually overlook the fact that new production usually opens up completely new markets. Failing this, output by the parent company, unless this company succeeds in selling more of its production in its own home market, or in entering new export markets, would have to be reduced, in absolute terms. There is no proof whatever that such development ever takes place. In addition, all the experience of the past shows that there are always important transactions under way between parent and subsidiary companies, which tend rather to increase the parent's exports than to reduce them. Finally, the new income generated by new investment tends to increase the general demand for imports in the debtor country, and this again sets up a trend in the creditor country towards increasing exports.

True, the promotion of investments in foreign countries will not prove a panacea for curing all economic ills and ailments. It is no less and no more than one of several indispensable measures needed for achieving progress on the arduous path towards equilibrium between national balances of payments.

Dietrich Kebschull