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# No Reform of the Currency System

**A** first ominous flash of lightning was seen early in March on the horizon of currency policy. Once again the French Franc came under pressure. Speculation is active again. The calming down of currency problems following the turn of the year thus proved deceptive and dangerous, and this not for the first time. France, after all, is not the only problem child. What will happen if the Federal Republic of Germany revokes the measures taken to influence the trend of foreign trade? Will the problem of the surplus in the trade balance then solve itself? Will the Wilson Government at long last be able to score convincing success? And will Nixon master the American balance of payments problem?

Many questions, indeed. But they do not appear to cause those responsible for currency policies any headache. So, the President of the International Monetary Fund, Pierre Paul Schweitzer, recently wrote that the currency system had not shown any fundamental shortcomings up to now. Like the British Prime Minister, Wilson, and the representatives of the German Federal Bank, Blessing and Emminger, he is of the opinion that, at present, a reform of the system would be neither appropriate nor useful.

The conservative currency politicians have obviously gained the upper hand over the progressive reformers. While the statement of the German Minister of Economics, Schiller, during the Bonn Currency Conference that "Germany will not revalue single-handed" was at the time looked upon as a possible prelude for a rapid fundamental international re-alignment, nobody speaks today seriously of this possibility any more. Because—so we are made to believe—the existing system is stable as long as all involved with it stick to the rules.

But after all said and done, the past ought to have taught that those rules are less and less observed. As long as one identifies devaluations and revaluations with failures of the governments concerned, one will increasingly seek, and take, relevant makeshift measures. It is, so one thinks, quite possible to cure the ills of a currency at the cost of the free flow of trade. But only wicked heretics, it would seem, are those who take note of the meagre successes of years of persistent liberalisation policy thus being light-mindedly jeopardised — and that also the currency system is far from being stabilised by these measures but merely propped up and, for that matter, imperfectly so.

Increasingly more, the system resembles a pot here and there knocked about, frequently broken and yet glued together again every so often. But the responsible politicians try to make the world, and themselves, believe that the pot was still as good as new. To acquire a new one was therefore totally unnecessary. The new one might, after all, be more fragile even than the existing pot. It thus came about that so far every suggestion of a reform was rejected on the strength of a pointing to the possible "great dangers" connected with its realisation. Often one even takes the easier way of disqualifying those scientists urging a reform simply as people who carry no responsibilities and therefore find it easy to come forward with suggestions.

Optimists still believe today in a secret currency diplomacy utilising the present calm for the preparation of important changes. Desirable as this would be, there are no indications of the existence of such a diplomacy. Apparently there will have to be a series of dangerous crises before the readiness for a reform grows in the quarters of deciding monetary authorities. If the present state of development continues the time for these crises will, unfortunately, not be very far away.

*Dietrich Kobschull*