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## Little Solution – No Solution

**W**hen it comes to economic questions, the German Chancellor Kiesinger lacks the flexibility of the star in his cabinet. For, whereas the Federal Minister for Economic Affairs Schiller, is now advocating revaluation of the German Mark without compunction and in blatant contrast to his attitude of six months ago, Chancellor Kiesinger remains adamant – emphatically supported by his Minister of Finance, Strauss. On May 9, the official government spokesman stated that under the present government revaluation was out of the question – even that the parity is now fixed for eternity. “Words, words, mere words, no matter from the heart.” For by now they are shouting it from the roof tops that this measure shunned for the near future cannot be avoided in the long run.

The most important German industrial show—the Hanover Fair—brought the German exhibitors more orders than ever before, with the result that by the end of the year the already high export surplus should once again equal, if not exceed, last year's record level. In addition to the ebullient flow of orders from abroad, the Federal Government with its most recent measures for its part has been doing all it can to check the threatened rise of prices, thus adding yet more fuel to the flames. The taxation measures taken at the end of 1968 designed to curb exports and facilitate imports simply failed to brake the boom. Even the idea—too vaguely conceived and much too late—to ease the balance of payments through increasing capital export in the shape of direct investments has turned out to be too small a brake bloc.

Revaluation of the Mark is bound to come; the question is merely *when* and *how*. The international speculators for their part are already doing their best to force the issue. But their activities are not confined to the DM; they affect a great number of currencies, which all goes to show that the world monetary system is now more rotten and rickety than ever before. And yet this fact is still not generally appreciated; considerations of political prestige still cloud the inexorable economic facts. In France it took no less than the resignation of General de Gaulle for people to realise that it was impossible to overcome the Franc crisis. A drastic cut in the value of the French currency is an urgent necessity. The operation could be made considerably less painful if other countries were to take parallel action without waiting for the catastrophe to occur. This would mean that Great Britain, Belgium, the Scandinavian countries and possibly also the Netherlands devalue at the same time. It would further mean simultaneous revaluation not only by the Federal Republic but also by Italy and Switzerland. Judging by the experiences with the “Ersatz-revaluation” through taxation, the Federal Republic of Germany, being the country most affected, would have to revalue by about 10 p.c., if the foreign situation is to be equilibrated. In this case the Franc could get away with a cut of 15 to 20 p.c.

But who believes in the possibility of such a “grand” solution, to say nothing of the introduction of a more flexible monetary system? For six months politicians responsible for monetary decisions have been deluding themselves that all was well, now their feverish activity is likely to be too late to remove the numerous political, economic and meta-economic barriers. In all probability there will once again be a “little” solution with one state revaluing or devaluing under pressure of its neighbours. This could temporarily calm the troubled waters, but it would not be a genuine solution. For as long as not all states are willing to improve the existing system, the situation will soon be as it was before. Sporadic crises due to the same causes and displaying the same symptoms. When are the responsible politicians going to realise this plain truth?

*Dietrich Kobschull*