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**Article — Digitized Version**

## On the verge of a new protectionist wave?

Intereconomics

*Suggested Citation:* Moser, Carsten R. (1972) : On the verge of a new protectionist wave?, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 07, Iss. 8, pp. 227-, <https://doi.org/10.1007/BF02929576>

This Version is available at:

<https://hdl.handle.net/10419/138674>

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# On the Verge of a New Protectionist Wave?

**T**he decision taken by the Brandt cabinet to stop the dollar inflow with a set of controls on capital movements led to a new government crisis in the Federal Republic of Germany and to the resignation of Professor Schiller as Federal Minister of Economics and Finance. While almost all other nations have decided upon exchange restrictions and control measures, Schiller opposed the erection of any sort of barriers against the inflow of capital to and from Germany. On the other hand, he was not able to gain enough European support for his idea to let the EEC-currencies float together against the dollar, so that Chancellor Brandt and his ministers voted against Schiller and for dirigistic measures. Although this vote has not endangered the planned EEC-currency union, it must nevertheless be considered a setback for the international aspiration after more liberalism in the monetary and trade sphere.

The growing inclination for protectionist measures is typical also for other European nations. Even liberal Switzerland opted for exchange controls in order to defend the country from inflowing inflation breeding dollars. And also the EEC-Commission gave examples of this growing controversy between the supporters of a more liberal and those of a more dirigistic policy on several occasions during the last months. Some Commissioners—among them Professor Dahrendorf—appear to be in favour of a more liberal EEC trade policy and a new GATT-round at the earliest possible date, while others like President Mansholt would prefer a more protectionist policy towards outsiders in order to force the enlarged EEC to a more rapid integration process. The discussion whether the EEC should open its frontiers against the rest of the world or not started in the course of the negotiations between the Common Market and the remaining EFTA-members. These differences of opinion became noticeable also during the deliberations about a common foreign trade and development policy. And they again were obvious during the round

of conferences between the EEC, Japan and the USA on monetary and trade problems.

But also on the other side of the Atlantic, there are growing sentiments of isolationism in politics and mercantilism in money and trade matters. Although the economic programme of the presidential candidate of the Democratic Party McGovern is not as precise on international economic relations as it is on tax reform and income-redistribution plans, it does already today contain some highly protectionist measures.

It is very probable that his ideas will have a strong influence on the future US economic policy even if President Nixon is reelected, for the number of American supporters of protectionism and isolationism seems to be growing rapidly. It must therefore be doubted whether the USA will be willing and able in future to play a leading part in the necessary negotiations on world monetary and trade reforms.

Because of the reluctance of the USA, the growing indifference of the EEC and the incapacity of other nations as yet to take over the leading role in a free world economy, it is more necessary than ever that international organisations like IMF and GATT step into the vacuum as defenders of liberalism. Their main task will have to be the persuasion of governments that, national interests notwithstanding, all countries will gain from a continuous development of world trade, since they are dependent on it, and that this development can only be achieved if the rules governing money and trade relations are modernised and supervised effectively by international bodies. If they fail, then the forthcoming IMF and GATT negotiations will become once more platforms for countries to criticise past economic and development decisions, without any reforms actually taking place. This would increase the danger of a similar wave of protectionism as was experienced last August when President Nixon introduced his New Economic Policy.

*Carsten R. Moser*