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Germany: Crisis in Bonn

Intereconomics

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In view of their understanding of themselves it is not surprising that the Socialist International is predominantly composed of Social Democratic parties of Europe and that 23 of its 57 members only were represented in Vienna. The intensive efforts, pursued over recent years, to win countries of the Third World as new members are however unlikely to meet with much success as long as the International continues to be an instrument in the hands of selfish Europeans. Impassioned debates on such problems as ceiling prices for butter or quality assessment of red wines cannot evoke a response from the billions of starving people in the Third World. The Social Democratic ideas of the International will not develop into a genuine alternative to the concepts of men like Allende, Castro and Mao, which today have many more followers, unless it turns its attention to other, more important problems and evolves its own solutions for them. kw.

Great Britain

Dissolution of Sterling Bloc?

When the British Government announced that it would let the pound sterling float to thwart the speculators, most observers in the industrialised countries saw this as the beginning of another monetary crisis only a few months after a tolerable compromise had been adopted in Washington. There were all the external signs of an international crisis: Weekend conferences in Brussels, Tokyo and Washington, closure of foreign exchange markets in most industrial countries, and measures against free dealings in foreign currencies.

Once again not a single word was said in these hours about the less developed countries (LDCs). The sterling crisis however hits them quite as hard as did the dollar crisis, and perhaps even harder. For there still exists a sterling bloc with facilities which many former British colonies are using for making and receiving payments. Besides, many LDCs are still holding considerable sterling balances. These are depreciating as a result of the floating, and this is a heavy blow for them because most countries of the Third World are in any case lacking adequate currency reserves.

This being the case, it did not come as a surprise that the Indian Government closed the foreign exchange markets immediately sterling began to float and Ceylon announced its withdrawal from the sterling bloc, thus breaking one of the last remaining links with the former mother country. This reaction appears to be welcome to Great Britain as its own problems are difficult enough

and the liquidation of the sterling bloc commitments would not occasion any grief. For the LDCs this attitude is hard to bear because it hampers their efforts to find firm ground in the international monetary system. They are the more disappointed because it was only a few weeks ago, at the UNCTAD in Santiago, that the industrial countries assured them that international monetary crises were in future to be solved only by measures which are also approved by the LDCs. mk.

Germany

Crisis in Bonn

The sterling crisis did not only lead to another crumbling of the fragile edifice of the international currency system but also to a crisis in Bonn. After violent controversies within the Government about the method of screening the Federal Republic against unwanted inflows of foreign exchange the variant of dirigism prevailed against the liberal conception.

Opponents in this discussion were the President of the German Federal Bank, Karl Klasen, and the Federal Minister of Economics and Finance, Karl Schiller. Klasen asserted himself and after tug-of-war Schiller resigned. According to Schiller a dangerous path has been adopted with the introduction of exchange controls.

This, however, was not the only reason persuading Schiller to go out of office. In his letter of resignation addressed to Federal Chancellor Brandt — incidentally another paper reaching the public in a rather obscure manner — he settled accounts with his opponents in the Government. The reproaches that the Government obscure consciously the financial crisis, were not the harshest ones in the letter.

Nobody, however, can be happy about this development. Neither are Schiller's endeavours to style himself as a martyr of unprincipled politics justified, nor is the opposition's gratification in its comments on the events. To Schiller's detriment, the impression was too strong that his weak position in the struggle for a favourable place on the ticket for the forthcoming elections and the lack of promises of a post in another possible government formed by the Social Democrats and the Free Democrats also played a role for his decision. And the opposition is in an unfavourable position as long as it is unable to offer a convincing economic alternative. Nevertheless its election chances should have improved now, for the impression of a crumbling government afflicted with feeble leadership qualities can hardly be camouflaged by Willy Brandt's image of a statesman. ogm.