WEST GERMANS PUNT ON DOLLAR

by David Goldman

Aug. 16 (IPS)—Unwilling to sever links with the U.S. dollar, West German businessmen and political leaders compromised this week on the issue of whether Germany would put itself on the chopping block for financier faction in the United States.

RAND Corporation "Atlanticists" Helmut Schmidt, the German Chancellor, and his Finance Minister, Hans Apel, are playing David Rockefeller's game from the European side. Rockefeller and his flunkey at the Federal Reserve, Chairman Arthur Burns, plan to suck roughly $12 billion in foreign funds into the U.S. to meet part of the $60 billion U.S. government deficit between now and Dec. 31. Hans ("Rotten") Apel's main concern is to accomodate them.

Unfortunately, the price for West Germany and other advanced-sector nations in the Rockefeller scenario is national bankruptcy. With a Federal government deficit running at $2 billion a month, alongside similar deficits of Federal agencies and regional governments, the West German government is struggling to replace depression-level tax receipts with borrowings on the credit market. The Germans, battered by a 25 per cent drop in their lifeline of industrial exports, need every pfennig they can get.

The Federal Bank and industrial opposition forces to the "Atlanticists" dodged the issue of breaking with the bankrupt dollar at a Thursday press conference, held jointly with Apel. The two sides presented their compromise deal: no more economic war measures against Rockefeller from the Federal Bank, in return for Apel's agreement to lift standing restrictions on capital inflows into West Germany, i.e., balancing the outflows to high U.S. interest rates.

Federal Bank Vice-President Otmar Emminger nervously giggled to bewildered reporters, "We see no adverse long-term effects from capital outflows," completing his side of the compromise with Apel. The Finance Minister, in turn, authorized German banks to pay interest on foreign deposits, which encourages external funds to flow into Germany.

These gentlemen do not want to place the full burden of "austerity," which they correctly perceive as necessary, on Rockefeller, so they are forced to ask workers to shoulder the burden instead. But the financial explosion in the dollar sector means they will have to do precisely this like it or not.

Portugal, above all, makes them hesitate to negotiate their future with their "enemy" — the Soviet Union. As the Frankfurter Algemeine sighed stupidly in this morning's editorial, they believe "at least we have a stable social system to prevent such things from happening here!" This "stability" will disappear quickly enough if they continue to prevaricate with Rockefeller. Like it or not, they will have to swallow the Portuguese revolution, and spit out the dollar.

Arthur Burns' tight-money and high-interest regime in the U.S. was so successful in siphoning funds out of the German banking system during July that the country's Federal Bank had to print money to cover four-fifths of its July deficit of DM 4.4 billion. Since the bond market went into two successive tailspins last month as a result of these outflows, the Federal government could raise only a slim DM 900 million.

This development, which bore a strong taste of the inflationary explosion of Weimar Germany, sent shock waves through Schmidt's opponents. On Aug. 5, the Economics Council of the opposition Christian Democracy issued a statement warning against the disastrous consequences of bankrolling the government through the printing press. Economics Minister Hans Friderichs, who negotiated a ground-breaking trade deal between West Germany and Poland last month, warned this week in an interview that capital outflows form Germany posed a deadly threat to the nation's trade and industry.

Covertly, the Federal Bank began selling off its holdings of U.S. Treasury securities, which total almost $20 billion — an economic warfare measure designed to counterbalance the outflows of German funds into Treasury securities. As IPS revealed last week, the Federal Bank's retaliation against Burns and Rockefeller sparked hysterical rage among money-jugglers in Washington.

Apel's Finance Ministry responded with its own "proposal": cut back the Federal budget and raise taxes to cover the government deficit, a plan which put Apel in one political cartoon holding a hammer over a man undergoing artificial respiration, saying, "Tell me when he comes to!"

A loose alliance has emerged between the Federal Bank, East-West trader Friderichs, and Christian Democratic leader Gerhard Stoltenberg, among minimum issues of national survival. This group has the backing of the majority of the nation's industrialists. Its policy — hammered on by Stoltenberg and Friderichs this week in major public statements — includes a commitment to high-technology industrial investment as a way out of the recession, and opposition to Schmidt-Apel's corporatism. It is also committed to austerity against the working class.

No Coming to Blows

At the Thursday press conference, IPS reporters twice queried the RAND financier on the Burns-Rockefeller plan to suck the world dry of liquidity, and on Apel's views on a new monetary system, as the Soviets, Iraqis, and French Gaullists had proposed. Twice during the sleepy press conference, the audience went into uproar, as reporters and officials gathered what lay behind the prepared scripts. Apel stammered repeatedly, "I cannot answer now — I know what you are talking about — I cannot say now — I will issue a statement on this." Another reporter asked meekly, "But, Herr Minister, what do you think about the possibility of financing our government deficit?" Apel spit back, "I could answer that — but I don't want to!"

To make funds available to finance this deficit, the Bundesbank also lowered German interest rates — precisely what Economics Minister Friderichs warned against. Although they are aware that this encourages capital flows away from Germany, Bundesbank officials say, "What else can we do?" Apart from the alternative of de-coupling from the dollar, a course the Federal bankers toyed with this month through sales of U.S. Treasury securities, there is no alternative.

Ironically, the Federal bank gamble paid off this week; foreign exchange markets were more concerned with imminent credit breakdown in the U.S. than the positive edge of higher interest rates. International money ignored the interest rates and flowed into West Germany. This merely indicates that the gross stupidity and cowardice of Bundesbank officials was overmatched by the chaotic state of the Rockefeller financier faction; the two sides marched and countermarched and never exchanged blows.