

'The snake lives on', from the Frankfurter Allgemeine Zeitung (19 October 1976)

Caption: On 19 October 1976, in its coverage of the revaluation of the German mark, the German daily newspaper Frankfurter Allgemeine Zeitung considers the future of the European monetary snake and calls for greater cooperation among the Nine on monetary matters.

Source: Frankfurter Allgemeine Zeitung. Zeitung für Deutschland. Hrsg. Eick, Jürgen; Welter, Erich; Fack, Fritz Ullrich; Deschamps, Bruno; Fest, Joachim; Reißmüller, Johann Georg. 19.10.1976, Nr. 235. Frankfurt/Main: FAZ Verlag GmbH. "Die Schlange lebt", p. 1.

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The snake lives on

Ss. In what is now a familiar event for West Germans, the Deutschmark is being revalued, meaning a gain in foreign exchange value. This time, the revaluation only affects those countries that belong to the ominously named 'snake'. Amid the current monetary confusion, this step by the Federal Republic may be interpreted as a 'cleansing thunderstorm' of the kind that occasionally occurs in autumn. Tensions have been removed which had already been manifest on the nervous foreign exchange markets for quite some time.

Again and again, the German currency comes under the suspicion that it must be revalued each time inflation rates in countries with a fixed exchange in relation to the mark exceed those at home. This is currently the case in all 'snake' member countries. But these tensions have obviously also affected other international currencies too. In addition to the pound, the lira and the French franc, the dollar has also been drawn downwards. Thanks to the German adjustment, there is hope that the dollar will now enter quieter waters. The negative impact on some branches of German industry of the mark's revaluation in the snake should be compensated at least in part by the fact that the entire currency market should settle down.

These new steps in monetary policy should also be seen in relation to developments in certain countries where foreign exchange controls or other protectionist measures have been introduced or can be expected. In view of the evolving situation elsewhere, the governments of the 'snake countries' perhaps felt particularly obliged to continue standing by each other and confront the risk that the innermost core of this still small community, striving for stability, might disintegrate.

The decision by the governments was political, rather than purely economic. The jointly agreed exchange rates are not the most important factor. The crucial point is that the members have found a way out of the unfortunate situation of the past weeks when everyone seemed to be waiting for someone else to either alter their exchange rate or withdraw from the snake. As no government wanted to act as scapegoat, there was a risk of European cooperation seizing up entirely. If the 'Community of stability' is to be taken seriously, tactical considerations, even election tactics, should in future no longer play a part. At all events, the snake was not slain.