‘Europe under the Bundesbank’ from Le Monde Diplomatique (July 1997)

Caption: In July 1997, Ignacio Ramonet, Editor-in-Chief of the French monthly newspaper Le Monde Diplomatique, deplores the dominant influence of the Federal Republic of Germany (FRG) and of the Bundesbank on the European Union and on its economic and monetary programme.

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Europe under the Bundesbank

Three men dominate Europe: Helmut Kohl, Theo Waigel and Hans Tietmayer. They are the high priests of convergence and a strong currency, and they dictate the monetary policy of the Fifteen. This, despite the hopes raised by the new governments in France and the UK and the preponderance of the left-of-centre in the rest of Europe.

by Ignacio Ramonet

Three men dominate the European Union, and the Fifteen are subject to their fiat: Helmut Kohl, Theo Waigel and Hans Tietmayer[(1)]. It sometimes happens that they don't see entirely eye to eye, but in matters which they consider vital, these three form a bloc. They are the fundamentalists of strong money, the militants of convergence criteria and the absolutists of monetary stability.

These are the men who dictate the monetary terms - with the complicity of locally-based agents who are equally fanatical and frenetic (for example, in Paris, the governor of the Bank of France, Jean-Claude Trichet). It is they who have subjected the whole of Europe to an ideological straitjacket which has oppressed Europe's economy and caused so much unemployment, social suffering and human misery.

Since 1979 the Bundesbank has applied pressure for the mark, rather than the ecu, to be the de facto pillar of the European monetary system (EMS). At the moment of German unification in 1990 this proved very expensive for a Europe which didn't dare call - as it should have done - for the mark to be taken out of the EMS. As a result, interest rates rocketed and various of the economies, the French in particular, found themselves throttled. When the EMS was first embarked on, there were seven million unemployed in Europe. Now there are 20 million.

The Germans' mental block regarding anything to do with money and central banks derives from two historical traumas: the hyper-inflation of 1921-23 and the less well-known decision by Hitler in 1933 to replace Luther, the governor of the Central Bank who argued for deflation and refused to underwrite the cost of a plan against unemployment, with Hjalmar Schacht, who agreed to finance a vast programme of public works[(2)]

Under the pretext that, since the time of Hitler, politicians have always had the upper hand over professional economists, Messrs Waigel and Tietmayer, apparently incapable of seeing the difference between dictatorship and democracy, have been pushing economic imperatives that they raise to the status of religious dogma. Not content with imposing the constraint of convergence criteria for access to a single currency, they dreamed up the tyranny of the stabilisation pact (in order to discipline the Latin countries).

The result of this has been that "the process of building Europe is like one of those giant oil tankers, where the captain has been replaced by an autopilot. The ship continues on its way. Everyone is vaguely aware that the ship is off course, and that it's getting close to rocks. But nobody dares leave the ship, or take over the helm to change course[(3)]."

One might be forgiven for imagining that the recent election results in a number of countries, France and the United Kingdom in particular, combined with the fact that nine of the 15 countries of the European Union are governed by social democrats, should have made it possible to change course at last. The statements by France's new prime minister, Lionel Jospin, both during his electoral campaign and the Franco-German summit in Poitiers on 13 June last, raised a hope among millions of victims of the economic model imposed by the Bundesbank that the moment of change was at hand.

They were soon to be disabused. The mid-June European summit in Amsterdam failed to redefine the institutional framework of European Union. It also clearly revealed two things: the doctrinaire threesome of Kohl, Waigel and Tietmayer is stronger than all the other leaders of the Fifteen put together; and Europe's social democrats are not prepared to follow Lionel Jospin over the issue of jobs. Worse still, it showed that most of them - from the Dutch to the British - fear the verdict of the markets above all else, and have become converts to ultraliberal recipes of flexibility as the means to combat unemployment[4].

When you read the draft memorandum on employment[5] that was rejected not only by Germany but also by all the "left" governments, it becomes abundantly clear that the latter are not concerned about unemployment, since the measures proposed and then rejected are far from revolutionary.

In Amsterdam Mr Jospin was made uncomfortably aware of his powerlessness to get things changed, and he came away with nothing more concrete than a few face-saving formulae. One the one hand, explicit targets, to be subject to heavy financial penalties in the event of budgetary deviation. On the other, the jobs front, declarations of intent that fool nobody. The French government, left without allies, had to settle for second best.

But despite the blackmail of the media, the fact is that there was absolutely no urgency to sign the stability pact - in the best of scenarios it would not come into effect until the year 2000. If Mr Jospin had refused to sign, nothing would have happened. He could simply have said: "We will sign in the autumn, after the proposed summit on employment, if we are satisfied with the outcome." This was an opportunity - for which millions of Europeans have been waiting - for a radically fresh start.

This once again poses the question of the kind of Europe that we want to see. The official theory, as propounded by the German Central Bank, is that the single currency, the euro, will be an instrument of empowerment for the Fifteen. This is an odd reversal of the classic theory of evolution: in this instance the organ (money) is supposed to create the function (the political unity of Europe)!

This is basically a confidence trick. There is an extraordinary hypocrisy among those who push for more state in Europe, at the same time as calling endlessly for less state at the national level. The future government of this Europe of the euro is not hard to envisage: it will be the future European Central Bank, with its foundations in the Bundesbank, and, like the latter, with its base in Frankfurt. In a situation where economies are no longer investing or hiring, this is a straight road to social catastrophe.

(1) The three are, respectively, Germany's chancellor, its minister of finance and the president of the Bundesbank.
(2) See *La Repubblica* , Rome, 19 June 1997.
(3) See Jean Michel Quatrepoint, "L'Europe d'hier ou de demain", *La Lettre A* , Paris, 19 June 1997.
(4) See Bernard Cassen, "Dans l'étau de l'euro", *Le Monde diplomatique* , May 1997 (available in English, "In the grip of the euro").
(5) *Le Monde* , 21 June 1997.

Translated by Ed Emery