

## Bankers call for energy austerity

*The following interview with the incoming and outgoing presidents of the Bundesverband Deutsche Banken, (the Federal Association of West German Banks) was conducted by Executive Intelligence Review's special correspondent. The Association had just elected Harald Kuhnen of Sal. Oppenheim, a major investment bank closely allied with N.M. Rothschild's of London, to replace the Deutschebank's Friedrich Christians as president.*

**EIR:** What is your opinion of the oil and energy austerity policy of James Schlesinger in the USA? The Wall Street Journal has just published an article stating that the deregulation policy is inflationary, and will only be met by a further tightening of U.S. interest rates.

**Christians:** We have to distinguish the effects of oil price developments in different countries. For the USA, Schlesinger's policy of energy saving makes a good policy. But we could not compare that situation to the BRD. In the USA, oil prices are kept artificially low. We are unhappy that the energy bill, of which so much was expected, has only ended up as such a tiny little mouse. There are indeed special U.S. problems in this area....

**Kuhnen:** I think we have to see a perceptible reduction in the oil consumption of the USA.

**EIR:** What about the future prospects for the European Monetary System? Turkey is in trouble because of IMF austerity demands. Isn't this a chance to extend the EMS to countries like Turkey and Mexico, to give EMF development policy a first sample of implementation on behalf of Third World countries?

**Christians:** You must distinguish between the IMF, the EMS, and the European Monetary Fund (EMF). We here agree with the IMF conditions for Turkey and other countries; they are needed. Now for the EMF, it's far too early to speak of that. The European Monetary Fund will only be formed in two years time. Finally on the EMS, you must see that what Giscard did in Mexico, with the discussion of link between the EMS and Turkey, was only a diplomatic gesture, and has no early prospect of implementation. Mexico has a powerful neighbor and one it doesn't like, so Mexico turns to Europe, but countries like Mexico cannot become members of the EMS for 10 to 20 years. As for Japan, remember that the EMS has only been functioning for

15 days, so we cannot take any of these big perspectives for the future. First, the EMS must itself be consolidated in Europe; we need a relation with Austria and Switzerland, because they are part of Europe. But it will be years before the Japanese become part of the EMS. We just do not need any grand challenges at this moment.

**EIR:** Isn't the EMS that way out for the U.S.? The USA could overcome all its economic problems with the balance of payments deficit and the dollar if it linked up with the EMS, couldn't it?

**Kuhnen:** It is a great mistake to think that we could widen the EMS now. We cannot take additional risks like that. But of course, we do hope that Britain will soon participate in the EMS.

## Otmar Emminger's austerity scenario

*The following austerity scenario was outlined by West German Central Bank Governor Otmar Emminger in Handelsblatt March 27:*

Domestic money-supply expansion in West Germany has already reached alarm-stage one. Inflation now endangers the prospects for economic recovery. All signs now indicate that the year 1979 will place major demands on the monetary policy of the Bundesbank.... Price developments in the foreign economic picture also come into this, proceeding from the rise in the price of oil principally, but also in the case of other raw materials. It is by no means apparent that this inflationary impetus can be dealt with in the same way as in the past eighteen months, that is, through the exchange rate of the deutschemark....

The coming into effect of the European Monetary System changes the parameters of this complex situation, from both a foreign economic and a monetary policy standpoint. The EMS contains both opportunities and risks.... Above all, if we fail to adjust the internal currency parities of the EMS at the right time or by the right amount, we cannot exclude the emergence of internal European monetary crises, similar to the final stages of the Bretton Woods system....

If, in such a situation, the necessary trust and confidence between the partner governments does not exist, then the autonomy of the Bundesbank will be in danger, because of the expansion of the money supply due to continuous foreign exchange market interventions.