

## Report from Bonn by Rainer Apel

### The 'Lip' is back

*German ex-Chancellor Schmidt and assorted retired central bankers, like deck stewards on the Titanic, try to bail out Bush.*

What is Helmut Schmidt, the former Bonn chancellor, up to these days? This politician, in the background since his overthrow in October 1982, has suddenly taken on a high public profile. Some say that he may be reading a comeback to active politics, maybe even the chancellor's post itself, at the peak of the next global monetary crash. Others say he is opting for something bigger yet: a role of influence in world affairs "free from the straitjacket of daily problems in Bonn."

Still others are pushing the Schmidt option against the background of the escalating tensions between Bonn and Washington on the Libyan chemical-weapons issue. They recall the resistance Schmidt showed against Jimmy Carter during the Brazilian A-bomb controversy in 1977-78. If current Chancellor Helmut Kohl "had but an ounce of the gumption Schmidt had then, he would not bear what the U.S. does to him now," is a comment often heard here these days. (Such gossips "forget" that Schmidt himself, nicknamed "The Lip," gave in to Carter in the end.)

On the occasion of Schmidt's 70th birthday last Dec. 23, the Swiss-German author Rolf Hochhuth praised the "qualities" of the former chancellor and mooted his return to Bonn on the historical model of Charles de Gaulle, who took power in France at the peak of a combined domestic-international crisis in the summer of 1958.

Apparently, there is manifold interest across the Atlantic too, in a Schmidt option for the coming monetary turbulences. Policymakers around

Henry Kissinger and in the Bush team relate to Schmidt as "one whom one deals with much better than with Kohl." After all, self-proclaimed "world-class economist" Schmidt is used to talking on the level of the Tri-lateral Commission; Kohl is, by comparison, a provincial mind in the chancellor's seat, with no knowledge of the real political implications of his post. Kohl is not made of the stuff real crisis managers are made of. Will Schmidt, the man Kohl toppled in 1982, end up replacing Kohl?

In any case, Schmidt will operate on the level of world politics, with an emphasis on monetary affairs, for example, the U.S. foreign debt, which he views as a "number-one challenge to President George Bush." Appearing on German TV for an evening roundtable debate Jan. 19, he advised Bush to cut the budget deficit by "\$40 billion per year, but not more, otherwise it would lead to a recession." He said a cut by even \$80 billion, as many have called for, would have devastating effects on the world economy.

The U.S. policy of borrowing from Japan, Germany, and other allies to bail out the U.S. deficits, would have to continue under Bush, Schmidt said, because the low domestic savings rate of 3% (as compared to Japan's 16%, and Germany's 12%) in the United States would not allow the administration to draw on domestic savings. Bush should find a way to balance the deficit cuts with foreign borrowings, Schmidt declared, mentioning subsidies to the U.S. farm sector as something that should be cut.

Supporting the U.S. dollar under

President Bush, Schmidt said, is a top priority for the Europeans and the Japanese; it would be at the expense of the Third World, though, as it has been during the past years. In any case, the bailout requirements of the U.S. were such under Reagan, that Europe and Japan hadn't been able to transfer sufficient financial resources to the developing sector, Schmidt said.

What he said on this TV program is more or less what the Inter-Action Council of retired heads of states and members of governments Schmidt has presided over since 1983, has been peddling all along.

But Schmidt is aware that the problems of 1989 are about to slip out of control. This is why he helped to set up a new commission of has-beens in early December 1988 which is dedicating a special effort to the "flow of financial resources to the Third World." The commission is manned by several retired governors of Western central banks, whose names reveal the austerity-oriented agenda.

There is the retired governor of the Bank for International Settlements (BIS), Fritz Leutwiler, and other prominent former central bankers like Al-Kuraishi (Saudi Arabia), Bernard Claphier (France), Robert S. McNamara (World Bank), Janos Fekete (Hungary), and Paul A. Volcker (United States). Furthermore, on the commission are seated Lord Eric Roll of Ipsden (Warburg Bank, Kissinger Associates), Jesús Silva Herzog (Mexico), and Manuel Ulloa (Peru).

These "impressive" names have an impressive record of failure and mismanagement over the monetary crises of the past 10-15 years. They look like a select group of head deck stewards, whose job it is to keep the service for the guests intact while the shaken Titanic, the old world monetary system, is sinking.