

CDU-CSU has entered a dynamic that forces Kohl to deal with these ambitions and acute speculations about reshuffles, while at the same time, he wants to avoid any major reshuffle. But should he succeed, he would have made many in his own party very angry, and this means, as many in the CDU and CSU leadership have rightly warned, that any vote on important legislation, for example the FY 1998 budget, could drive inner-party rebels in the parliament not to vote for the government. Kohl, failing to get a majority, would all of a sudden be running a minority cabinet before the eyes of the entire German nation, a cabinet that would have no orderly budget and be forced to rule by decree. Then, a simple vote of no-confidence could bring the Kohl era to an end in a matter of hours.

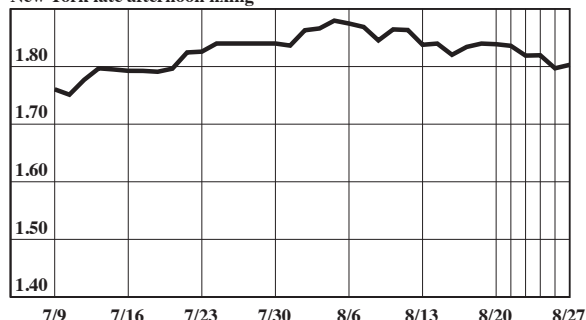
Now, Germany only knows the political instrument of a “constructive” vote of no-confidence, which means that an incumbent head of government cannot be voted out, unless there is an officially announced alternate candidate for his post, as presented in the parliament. A likely scenario for Bonn, this autumn, looks like this: Confronted with a Kohl cabinet that no longer has a parliamentary majority, with labor protests in the streets, with financial markets in crisis, with more calls from industry and the banks for a change of government, the complacent baby-boomers of the opposition SPD may finally feel compelled to nominate an alternate candidate against Kohl and push for a vote of no-confidence. If they win that vote, the new chancellor would be a Social Democrat—maybe only for a transition period, on condition that orderly early elections be held to provide a sufficient, orderly parliamentary majority; as the President has the constitutional right to approve or not approve a new chancellor, he may choose to do what was done when Kohl overthrew SPD Chancellor Helmut Schmidt in October 1982, and early elections were held in January 1983—which Kohl won. But, in view of the overall instability of Germany, and the stated view of leading industry managers and bankers that the best option would be a Grand Coalition, the German President may also give his mandate to such a coalition, for a transition period until the scheduled national elections of September 1998—which, according to the German constitution, would have to be held if there were no other early elections held before.

Whichever scenario may unfold in Bonn in the coming weeks, it seems very unlikely that Kohl would come out on top. He might, however, try a mud-slinging campaign against the SPD and its candidate, a campaign of the type that George Bush tried, in an unsuccessful effort to stop Bill Clinton in 1992. But, German voters would likely draw the same conclusion, as American voters did then, who were so disgusted at their incumbent and incompetent leader that they simply voted him out. After all, recent opinion polls in Germany show that 57% or more Germans, and about the same percentage among industrial leaders, are not in favor of another term of Kohl as chancellor.

Currency Rates

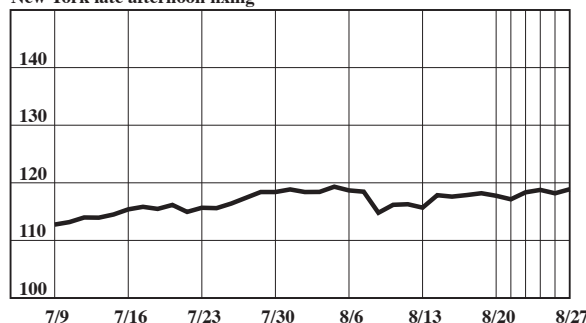
The dollar in deutschemarks

New York late afternoon fixing



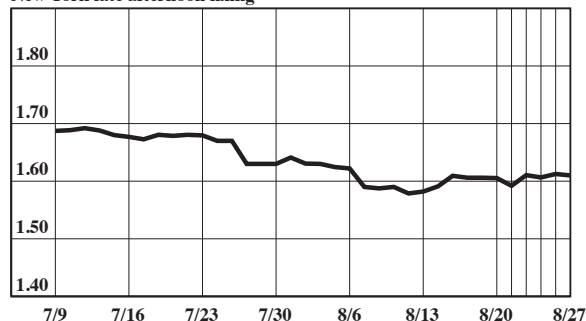
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

