

Independent, 8 March 1995

POLEMIC

# Uber alles (sotto voce)

The market's flight to the D-mark is no cause for German joy, says Josef Joffe

You'd think the Germans would be crowding about the "almighty deutschmark" as the dollar hits the skids, the pound and the peseta and the yen do fall through the floor. But anybody seems to be fleeing to the mark, with some squirreling their money away in Switzerland.

But if there is glee, it is *sotto voce*. For sure, peripatetic German tourists are happy, because now they can slurp an espresso in Rome for a third of what it costs in Munich. Of course the exporters don't like it because a relentlessly appreciating mark diminishes demand for their wares on the world market.

But these are the text-book reactions triggered by any currency realignment in any cotin-

try. The mood in Germany is subdued for three more profound reasons. First, a triumph like the mark's does not last for ever. In the contemporary global currency market there is only one enduring truth: money knows neither flag nor country. If those fleeing billions are not turned into capital - direct investments - abroad, they will show as much loyalty to the safe-haven country *du jour* as does a lady of the night who has already been paid.

Second, it is not such an advantage being everybody's favourite currency. Mighty as the mark may be, it can still be manipulated by vast, anonymous forces from abroad - by speculators in search of either safety or profit. For instance, for every dollar the Bundes-

deutschmark against flooding by the dollar. If all ERM currencies rose in tandem, he calculated, the mark - and German exports - would be spared the brunt of appreciation.

But the system is not working, as the past few days so dramatically demonstrated. Every time a hurricane strikes the chains break, just as they did in 1992 when Britain and Italy bolted from the ERM. Indeed, how on earth could these chains hold when governments pursue their own monetary and fiscal policies for their own electoral reasons?

What the markets are telling us today, as they did in 1992, is that monetary union - that is, a single monetary and fiscal policy for each and all in the European Union - will remain a chimera while there is no political union.

So Britons can take heart. The ecu won't shoulder the burden any time soon. And don't listen to the EU's monetary weaklings, like France, who push hardest for EMU. Listen instead to Hans Tietmeyer, the Bundesbank boss, who keeps telling the French they have their horses and carts mixed up: monetary union must logically follow political union; it cannot create it.

Nor does Mr Tietmeyer need EMU. He already has one: the deutschmark block composed of the Benelux countries, Austria and Denmark. Unlike France, these countries do not seek to dilute German monetary hegemony; they simply do exactly as Frankfurt does.

The writer is editorial page editor of 'Süddeutsche Zeitung'.