U.S. monetary war on Germany

Public relations don't tell the real story about the Bush-Kohl meeting at Camp David.

The media side of the talks President Bush and Chancellor Kohl had Feb. 24-25 on the German question at Camp David, was contradictory: The German media gave the impression that the two leaders found full agreement on the key issues, while the U.S. and British media spoke of discrepancies and deeper controversy.

Background leads on what was discussed at and around Camp David indicate U.S. media comments were more to the point than the German ones. Nobody should be fooled by the atmosphere of friendship and closeness Kohl and Bush performed at their joint press conference Feb. 25, at the conclusion of their talks. None of the central aspects of deeper controversy between the current U.S. administration and the West German government has been removed by the Camp David talks.

The Bush-Baker administration opposes, as before, the perspective of rapid German reunification on grounds that it would 1) create a multi-billion-dollar market for capital goods investments, 2) lead to an unstoppable outflow of German and European capital from the U.S., 3) cause a capital shortage and a banking crisis in the United States, and 4) trigger a collapse of the American economy. In the eyes of the monetarist Wall Street interests that Bush and Baker represent, Kohl's plan for a reunification of Germany means a declaration of war against the existing monetary system.

In terms of monetary outlooks, there is a fundamental policy difference between the Bush-Baker administration and Chancellor Kohl's West German government. Wall Street and the current White House administration want to keep stability for a system that is highly volatile; Kohl wants to create a new system of stable monetary relations.

The Wall Street interests Bush and Baker stand for, know perfectly well that German unity and reconstruction of the East German economy means the shift of several hundred billion dollars from speculative short-term investment on high-interest markets, into sound long-term industry-infrastructure investments. They oppose this. They know, though, that unity cannot be opposed openly if the great majority of the Germans in East and West want reunification. After all, the United States signed its commitment to pursue German unity in all postwar treaties with the West Germans.

Bush and Baker will try to sabotage it indirectly, by slowing down the entire process of diplomatic talks on the German issue, playing it back and forth between the conference tables of the Four Allied Powers, the six-power (four Allied, two German governments) consultations, the 35-nation talks at the Conference on Security and Cooperation in Europe level, and so on. One of the weapons the U.S. is deploying against Germany, is active counterorganizing against the deutschemark among the international banking community.

A report in the London *Daily Telegraph* the day before Kohl arrived at Camp David, shed light on what is on the minds of the Bush-Baker cabal. Manuel Johnson, number two at the U.S. Federal Reserve, had addressed a select group of London financiers a week earlier, warning against an alleged "inflationary shock which could follow German monetary union." At this event at the Institute for Economic Affairs, Johnson said that the European Monetary System was at great risk of blowing up, because a "huge international demand for German goods has already translated into a rise in the German inflation rate from zero to over 3%."

This trend, Johnson said, would be exported from Germany into all of Western Europe, through the dominant role the mark has in the EMS. It was, he declared, high time to look for an alternative of decoupling from the mark: "Countries should have flexibility to insulate themselves from irresponsible policies pursued elsewhere as from external shocks."

Then on Friday night, a few hours before Kohl departed to Camp David, Bush sent Treasury Secretary Nicholas Brady to Frankfurt, to meet with Bonn Finance Minister Theodor Waigel and extract the promise from him that West Germany would keep up its considerable export of capital to Wall Street. Waigel, and one day later, also Kohl directly, declared that capital flows abroad could not really be influenced by the government, but that Bonn would at least see to it that "no disruptions occur that could threaten the stability of monetary relations between the U.S. and the Federal Republic."

The Kohl-Waigel promise was for the short-term perspective only. In the long run, sources in Bonn say, there will be an ordered disengagement of German capital from the United States that could hardly be stopped. "This will come as inevitably as German unity," an adviser to Kohl told *EIR*. Given that perspective, the Camp David meeting of Kohl and Bush was no German-American honeymoon, but just the start of a new phase of protracted trade war.