

**The original documents are located in Box K9, folder “Emminger, Otmar, 1969-1978” of the Arthur F. Burns Papers, 1956 - 1990 at the Gerald R. Ford Presidential Library.**

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**February 27, 1978**

**Dr. Otmar Emminger**  
**President**                       
**Deutsche Bundesbank**  
**Frankfurt, Germany**

**Dear Otmar:**

**I have just read your speech of January 31.  
It is a truly excellent analysis, and I wanted you to  
know how much I appreciate it.**

**With warm regards,**

**Sincerely,**

**Arthur F. Burns**

**AFB:ccm**





**February 9, 1978**

**Dear Otmar:**

**Thank you very much for the copy of your interview with Reuters that you recently sent me. I greatly appreciate having your thoughtful comments.**

**With very best personal regards,**

**Sincerely yours,**

**Arthur F. Burns**

**Dr. Otmar Emminger**  
**President**                       
**Deutschen Bundesbank**  
**Wilhelm-Epstein-Strasse 14**  
**6000 Frankfurt Am Main**  
**Germany**  
**NB:ja**



DR. OTMAR EMMINGER  
PRÄSIDENT DER DEUTSCHEN BUNDESBANK

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FEDERAL RESERVE SYSTEM

1978 JAN 31 PM 12:34

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January 26, 1978

Professor Arthur Burns  
Chairman  
Federal Reserve System  
Washington, D.C. 20551

Dear Arthur:

I just gave an interview to "Reuters" on the present German external and internal situation.

You will find the text of this interview enclosed. It is, of course, a somewhat simplified analysis of the situation.

With warmest personal regards,

Sincerely,

Encl.

*Ottmar Emminger*



Interview by Dr. Otmar Emminger, President, Deutsche Bundesbank, with Reuters on Wednesday, January 25, 1978

Emminger believes interest gap and excessive German cost level will brake mark's attraction

The interest rate gap between West Germany and the U.S., coupled with abundant German monetary liquidity, will make investment in mark assets unattractive to foreign funds once speculative currency fever subsides, Bundesbank President Dr. Otmar Emminger told Reuters. Together with the Federal Reserve Bank of New York the Bundesbank is intervening in the dollar market as a bridging action to smooth out erratic movements and discourage speculative developments, he added in an interview.

The present exchange rates of a few "strong" currencies such as the mark or Swiss franc against the dollar are clearly considerably higher than would correspond to the relative purchasing power of these currencies in terms of prices and, in particular, production costs, Emminger said. But the special factors now influencing the U.S. balance of payments mean it may take some time for these fundamental relationships to make themselves felt on the exchange rate. The mark's present rate seems out of line against the dollar not only compared with price and cost relationships but also with regard to developments in the German basic balance of payments position, he added.

Asked if the Bundesbank could do anything to restore a less lop-sided evaluation of the mark/dollar rate, Emminger said the Bundesbank has contributed to lowering domestic interest rates so that they are now the lowest among all major countries.



The differential compared to American rates is now four to five pct on short-term funds and two to 2.50 pct on longer term funds.

By the end of last week this year's dollar market intervention by the U.S. and German central banks amounted to over 2.5 billion marks, Emminger said. "We (the Bundesbank) have been fully satisfied both with the amounts and the method of the Fed's intervention," he added.

Emminger noted, the present dollar problem is not a bilateral problem between the dollar and mark as has erroneously been maintained by some foreign observers. The U.S. payments deficit, which has been the root cause of recent dollar weakness, is primarily due to large trade deficits vis-à-vis OPEC countries and Japan, while the U.S. runs a sizeable surplus with West Europe. "I don't know if the U.S. current account deficit this year will be as large as in 1977 but sooner or later it will improve. Its effect on the dollar rate will depend on whether countries with large dollar surpluses vis-à-vis the U.S. invest them in dollar assets or not," he said. Thus, the dollar rate will be largely determined by the dollar's attractiveness as a currency for investment, i.e. by American interest rates and foreign confidence in the dollar's stability.

The German current account surplus has continually declined over the last few years and is no longer very large, while, more importantly, it has been more than compensated for by very large long-term capital exports resulting in a very sizeable basic payments deficit, Emminger said. The inflows of foreign exchange into Germany since last October have been entirely due to short-term capital flows, partly of a speculative nature and partly motivated by hedging operations for commercial payments. "As soon as these confidence movements subside, the basic German deficit will reassert itself," he added.



Emminger says enough has been done to stimulate German economy

Germany has already taken enough measures to stimulate its economy in 1978, and there is a good prospect of the country achieving a significant domestically-led recovery, Bundesbank President Otmar Emminger said.

The probable effects of recent tax cuts and various public expenditure programs, as well as the impact of cheap and plentiful credit, are often underestimated by foreign observers.

"One cannot, of course, see the effect of these measures reflected in the economic statistics overnight. However, the most recent economic data begin to show already a definite revival of domestic demand."

Emminger said he expects Germany's imports rising six to seven pct in real terms or double the projected 3.5 pct growth in real demand in the German economy. The real rise in German exports in 1978 may be less than five pct, which is the figure he anticipates for the growth in world trade volume this year.

The recent rise in the mark, which toughens conditions for exporters, boosts imports from low-cost countries and increases the tendency for German companies to shift production abroad, will play a part in further reducing the payments surplus on current account.

Even if the mark's appreciation may temporarily increase the trade surplus in the next few months by cheapening imports, this effect will soon be compensated by other more durable factors.





Emminger said the mark's rise of the past few months will squeeze company profits, and makes it more difficult to set an investment recovery going. This justifies the present expansive fiscal and monetary policies.

On the other hand, the mark's appreciation does help efforts to cut inflation further, provided these are not counteracted by exaggerated wage movements, he said. Excessive wage increases would endanger jobs in industries exposed to sharpened competition from abroad.

Emminger said central banks' recent foreign exchange intervention has created more liquidity in the German banking system than would normally be desirable.

However, part of this liquidity has already been absorbed by other measures such as the increase in minimum reserves on banks' foreign liabilities, open market operations, and temporarily also by high federal government borrowing this year.

"The foreign exchange purchases make achievement of our eight pct monetary growth target for 1978 more difficult, but, as of now, not impossible", he said.



December 13, 1977

The Honorable Otmar Emminger  
President  
Deutsche Bundesbank  
Frankfurt Am Main, Germany

Dear Otmar:

I want to thank you and Mrs. Emminger for your kind hospitality. My visit to Frankfurt made it possible for me to exchange views with you and Karl during the day, and the delightful dinner in the evening provided me with a welcome opportunity to see some old friends.

I must also thank you for your thoughtfulness in sending me the beautiful volume on medieval coinage that the Deutsche Bundesbank has just published. The subject is of considerable interest to me and I am pleased to add the volume to my library.

Mrs. Burns joins me in conveying to you and Mrs. Emminger our warm holiday greetings and our very best wishes for the New Year.

Sincerely yours,

Arthur F. Burns

NB:ja  
APP



DEUTSCHE BUNDESBANK

DER PRÄSIDENT

FRANKFURT AM MAIN, in December 1977

Dr. Arthur F. Burns  
Chairman of the Board of  
Governors of the  
Federal Reserve System

Washington, D.C. 20551  
USA

Dear Prof. Burns,

I am pleased to send you\*, as a small Christmas gift, a publication by the Deutsche Bundesbank entitled

"Brakteaten der Stauferzeit 1138 - 1254"

(Bracteates from the period of the Hohenstaufen  
Emperors 1138 - 1254)

It contains illustrations and descriptions of a selection of coins which are stamped on one side only and are considered a peculiarity of medieval coinage. Most of the coins are taken from the Bundesbank's money museum.

I hope that the book will give you pleasure.

With best wishes for Christmas and the New Year,

Yours sincerely,

\* ) under separate cover





Dinner at the "Schloßhotel Kronberg" on December 4, 1977, 8 p.m.

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Mr. and Mrs. Abs,	Honorary Chairman of the Deutsche Bank AG, Frankfurt
Mr. and Mrs. Becker,	Member of the Board of Management Kreditanstalt für Wiederaufbau, Frankfurt
Mr. and Mrs. von Bethmann,	Partner, private bank "Gebr. Bethmann"
Prof. Burns,	Chairman of the Board, Federal Reserve System, Washington
Mr. and Mrs. Casper,	Member of the Board of Management Metallgesellschaft AG, Frankfurt
Mr. and Mrs. Dhom,	Chairman of the Board of Management Commerzbank AG, Frankfurt
Mr. and Mrs. Dietz,	President, Frankfurt Chamber of Industry and Commerce
Mr. and Mrs. Emminger	President, Deutsche Bundesbank
Count and Countess Galen	Partner, private bank "Schröder, Münchmeyer, Hengst & Co.", Frankfurt
Mr. and Mrs. Geiger,	Chairman of the German Association of Savings Banks, Bonn
Mr. and Mrs. Guth,	Chairman of the Board of Management, Deutsche Bank AG, Frankfurt
Mr. and Mrs. Haeusgen,	Chairman of the Board of Management, Dresdner Bank AG, Frankfurt
Mr. Hoffmann,	Member of the Board of Management, Bank für Gemeinwirtschaft, Frankfurt



Mr. and Mrs. Klasen, Former President, Deutsche Bundesbank,  
Hamburg

Count and Countess Lambsdorff, Minister of Economics, Bonn

Mr. and Mrs. Lehmann, American General Consul, Frankfurt

Mr. and Mrs. Lichtenberg, Chairman of the Board of Directors,  
Commerzbank AG, Frankfurt

Mr. and Mrs. Meier-Preschany, Member of the Board of Management,  
Dresdner Bank AG, Frankfurt

Mr. and Mrs. Pöhl, Deputy Governor, Deutsche Bundesbank,  
Frankfurt

Mr. Poullain, Chairman of the Board of Management,  
Westdeutsche Landesbank, Düsseldorf

Mr. and Mrs. Vaerst, Chairman of the Board of Management,  
Deutsche Bundesbahn, Frankfurt



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DR. OTMAR EMMINGER

PRÄSIDENT DER DEUTSCHEN BUNDESBANK

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November 18, 1977

Professor  
Arthur E. Burns  
Chairman  
Federal Reserve System

Washington, D.C. 20551

#1714

Dear Professor Burns:

May I confirm in writing how much I look forward to your coming to Frankfurt on Sunday, December 4. Mrs. Emminger and I hope, of course, that you will be able to bring Mrs. Burns with you.

Should you have time to continue your stay in Frankfurt on Monday, December 5, it would give us great pleasure to show you and Mrs. Burns something of the Rhine valley or some of the medieval towns around Frankfurt.

All your friends are following the news about your courageous campaign for stability with the greatest admiration, and we wish you the best success.

Attached please find the text of my remarks at the recent National Foreign Trade Convention in New York.

With best regards,

Sincerely,

*Ottmar Emminger*

Encl.



International Monetary Relations: Problems and Prospects

Remarks by Otmar Emminger, President of the Deutsche Bundesbank,  
before the 64th National Foreign Trade Convention, New York,  
November 14, 1977

I.

Over the last five years, our world economic and financial system has been subjected to a multitude of strains and stresses as never before in our post-war economic history, such as world-wide galloping inflation, the breakdown of the Bretton Woods system, the oil price explosion (which generated huge payments disequilibria and financing problems), the worst recession since the thirties, enormous structural shifts and dislocations in world production and trade, and finally, as a consequence of all these as well as other reasons, an obstinate unemployment problem nearly everywhere.

II.

How well has our economic and monetary system stood up to all these strains and challenges? Perhaps most remarkable is the





simple fact that our system has survived at all (which reminds one of the French marquis who, when asked what he had done during the French Revolution, replied: "j'ai survécu"). Our system has survived - battered and bruised, it is true, but without having lost its essential quality of a predominantly free market system, and without - as yet! - too many protectionist distortions (although the threat of them is unfortunately increasing daily). If our system has shown a surprising degree of resilience and shock-absorption power, some credit for it must go to the more elastic exchange rate system. Elastic exchange rates as shock absorbers are certainly preferable to damaging protectionist trade measures.

As concerns in particular our international payments system, it has since the oil price explosion - contrary to a lot of gloomy predictions - accommodated, without major breakdowns up to now, gross balance of payments deficits (measured in terms of deficits on current account, i.e. trade and invisibles) to the tune of \$ 60 to 75 billion annually, that is, more than seven times the annual average of the sixties. And astonishingly enough, the financing of these huge deficits has been accomplished mostly through private credit and investment and with only a relatively modest contribution from official financing.

Who would have thought it possible that - after all these strains and dislocations - world trade would recover within two years to a level which in 1977 seems to have been 11 to 12 per cent higher in volume terms, and about 33 per cent higher in dollar terms, than the pre-recession peak of 1974?

### III.

These positive developments should not be underestimated. On the other hand, the means by which some of them have been brought about - namely huge international lending and borrowing - have left a legacy which will remain a deadweight.

This legacy consists of massive external indebtedness on the one hand and a huge accumulation of foreign assets in a handful of oil countries on the other. If present forecasts come true, by 1980 a few Arab oil countries will have accumulated between \$ 200 and 250 billion worth of foreign assets, that is to say more than one half of what the United States, the world's strongest economy, has accumulated over the last 100 years (gross! - and nearly three times the amount which it has accumulated as a net foreign position!). This implies an important shift in economic power, but it imposes also an enormous responsibility for the world economy on the oil-rich nations.

### IV.

More than a year ago, at the Manila Meeting of the International Monetary Fund and the World Bank, Mr. Witteveen, the Managing Director of the Fund, proposed - with general acclaim - that from now on more stress should be laid on the adjustment of external positions, rather than on the mere financing of deficits. How far have we come along the road toward better adjustment of payments imbalances?

There have been surprising changes in the international payments scene over the last 12 months. Last year the spotlight was mainly on some extreme deficit countries in Europe and on the group of less developed countries (LDCs) with their massive external indebtedness. Now the spotlight is more on the United States and Japan.

Distinct progress has been made in Europe. If we take Britain, France and Italy together, their combined balance of payments deficit on current account amounted to \$ 23 billion in 1974 (the first year after the oil price hike), \$ 11 1/2 billion in 1976, and only about \$ 2 billion in 1977. In the case of Britain, North Sea oil has had a hand in it; but there, as in the other cases, progress has also owed a lot to courageous stabilisation policies. There still remains, however, a hard core of smaller European deficit countries which have hardly yet begun to grapple with their acute payments problems - chief among them some Southern European countries. It is to be hoped that the IMF, in advising them and lending them a helping hand, will have similar success as in the cases of Britain and Italy.

In parentheses I may add that another group of European countries has recently also made headway in their balance of payments adjustment, i.e. the countries of the Eastern bloc. They have made a great effort to reduce their trade deficits, mostly by restraining imports, not least in order to strengthen their credit standing in international financial markets.

For the considerable, although as yet incomplete progress in balance of payments adjustment in Europe a price has had to be paid: the inevitable slowdown in the imports of the countries concerned has been a factor in the lower expansion of world trade in 1977. But we can hope that these countries will soon be able to re-start economic expansion on a healthier and more stable basis.

V.

In another problem area, namely the non-OPEC developing countries, the payments situation and the credit rating of a

number of them has improved. A year ago some observers painted the specter of an impending international financial crisis on the wall as a consequence of these countries' payments deficits and external indebtedness. This gloomy view appears in retrospect to have at least in part been exaggerated. There certainly are a few critical cases where a developing country has reached, or maybe even overstepped, the limits of its borrowing capacity, so that drastic measures have had to be adopted.

But contrary to a widespread opinion, the LDCs as a group seem to have fared relatively better over the last few years than many industrial countries, especially as concerns their domestic production. But in recent years also their exports have increased significantly, not least their exports of industrial products (which are increasingly forcing structural adjustments on the economies of industrial countries). We can no longer classify all the countries of the Third World as "less developed" and lump them together into one single group.

If nevertheless we consider their balances of payments for a moment in the aggregate, we arrive at the astonishing conclusion that their external situation, which formerly aroused so much concern, has practically reverted to normal. This is the conclusion of the experts of the International Monetary Fund. According to them, the LDCs' global payments deficit on current account in 1976 and 1977 (at about \$ 26 and 22 billion respectively) corresponded to their normal combined deficit before the oil crisis, when adjustment is made for inflation and the increase in real output (GNP). A net annual capital inflow of this magnitude can be financed without too great difficulties - the gap which must be financed out of commercial sources is a net amount of only \$ 6 to 8 billion; it seems to be also within their aggregate debt servicing capacity.



Even their accumulated external debt does not, on closer analysis, look unmanageable. It is true that it has increased about fourfold since 1968, but so has the value of their total exports and GNP. But this is no ground for complacency. It is not good enough to conclude that the LDCs as a group have not thus far overborrowed. It is always risky to reason on global figures. Some individual countries' debt problems look rather grim, and further borrowing abroad by such countries will depend on whether they are able to put their financial houses in order. But I don't see these individual debtor problems posing an imminent threat to our world financial system as a whole.

## VI.

Let me add here a few remarks on international bank lending and security markets in general.

The question of whether international bank lending is over-extended has often been discussed as if it concerned mainly lending to the developing countries. This is a misconception. In reality the problem extends far beyond the financing of LDCs.

Last year, for example, total international private lending through banks and security markets is estimated to have increased by a staggering \$ 90 to 95 billion - of which, however, less than one fifth was accounted for by lending to developing countries.

This huge international lending and borrowing activity raises many questions, such as what can be done to improve the flow of data needed to evaluate the creditworthiness of individual borrowing countries, whether too easy commercial lending may not undercut the IMF's attempt to ensure more economic discipline,

and what role parallel financing between the banks and the IMF can play. I cannot go into these questions in detail here.

But I want to express my general feeling that international commercial lending has recently reached magnitudes which should prompt some soul-searching. The increase in 1976 of \$ 90 to 95 billion which I mentioned was nearly twice the amount needed in commercial resources for the financing of all current account deficits in the world (\$ 75 billion total deficits, minus financing by official assistance and credit, direct investment and trade credit), and nearly four times the OPEC surplus funds that had to be recycled through the private markets (a \$ 35 billion "investible surplus", minus direct OPEC loans to deficit countries and international agencies). Thus international lending has extended far beyond what is necessary to ensure the recycling of petro-dollars, and beyond the need to finance payments deficits. A pause for reflection, and a period of consolidation in international financing seems to be indicated.

## VII.

Can the world economy be brought back at all into some sort of balance as long as the huge payments surpluses of the oil-rich countries continue unabated?

1. First of all, these surpluses need not in fact continue unabated, as is sometimes supposed. There are estimates - by the OECD and others - that under reasonable assumptions these surpluses may fall, in the aggregate, from their present annual rate of \$ 35 to 40 billion to between \$ 15 and 25 billion by the beginning of the eighties, mainly through rapid increases in the imports of the OPEC countries. Judging from our German experience, the adjustment might proceed even more quickly. For we have now

fully balanced our trade account with the OPEC countries, thus bearing the full burden of the adjustment to the higher oil prices (real adjustment!) by a correspondingly greater transfer of real resources to the OPEC countries.<sup>1)</sup>

2. The future size of the OPEC surpluses will depend decisively on the oil imports of the United States. At present, at least one half of the combined current account surplus of the OPEC countries is due to the "oil deficit" of the USA, that is to say its current account deficit vis-à-vis these countries. In a few years the insatiable appetite of the U.S. for oil may account for even more than half the OPEC current account surplus. Thus, the residual financial burden placed upon the rest of the world by the OPEC surpluses at the beginning of the next decade may be only one half of the estimated annual \$ 15 to 25 billion - provided the U.S. does not attempt to shift part of its own oil deficit on to other oil-importing countries by increasing its trade surplus with them.

3. The accumulation of foreign assets in the hands of the OPEC countries has already assumed very large proportions, namely an estimated \$ 170 billion. I do not, however, believe in the "doomsday scenario" according to which "an international debt crisis" may be looming up on the horizon in the form of massive withdrawals of liquid OPEC funds out of the dollar. I have confidence in the sense of responsibility of the oil-rich countries (which they have proven up to now in the management of their foreign assets) and I also believe they are shrewd enough to recognise their own best interests (since by suddenly withdrawing a few billion out of their liquid dollar assets they could disproportionately depreciate their large remaining dollar assets).

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1) And not, as was asserted quite recently in a Congressional Report, by shifting the burden of adjustment to other oil-importing countries, including the LDCs.

A judicious management of their foreign assets is one of the new responsibilities toward the world community which have devolved upon the oil-rich nations. Others comprise giving more direct financial help to the less developed countries, contributing to the stability of the international monetary system by giving special support to the IMF (similar to the industrial countries with strong currencies), and - last but not least - acting responsibly in fixing the oil price.

#### VIII.

Now let me make a jump from the extreme surplus side to the extreme deficit side of the world payments ledger, where the U.S. is now the record-holder with a deficit on current account of about \$ 16 to 18 billion this year. The dollar has been called "the most important undiscussed issue at the September Meeting of the IMF". I would also have preferred to pass over the dollar problem entirely, for, like Caesar's wife, a currency like the dollar should be above suspicion and not be talked about. But the problem has in the meantime been so much publicized that you probably expect a few words on it from me.

It is well known that the American payments deficit stems to a large extent from the enormous increase in the oil bill of the U.S., and to some extent from the faster economic expansion in the U.S. than abroad. Some would probably add another, and more controversial, point, namely a loss of U.S. competitiveness in comparative costs and prices. My assessment is that the U.S. competitive position, measured by market shares or by a cost and price comparison with the other industrial countries, may have deteriorated slightly here and there over the last twelve months. But over the whole period since the beginning of the 70's the U.S. has become more competitive in terms of relative prices and wages by 20 to 30 per cent, depending on the criterion



applied. In some bilateral relations the shift has been even larger. According to the U.S. Department of Labor, from 1970 to 1976 unit labor costs increased by 35 per cent in the U.S., but by about 100 per cent (!) in Germany, when calculated in dollar terms. No wonder our German industrialists find it so attractive to invest and produce in the United States!

Needless to say, the large U.S. trade deficit vis-à-vis Japan plays a special role. But it should also be mentioned that the U.S. has a trade and current account surplus with the rest of the world, and a particularly large one with Western Europe.

When the American payments deficit first emerged - and this happened only about a year ago - it was at first saluted as "a healthy sign" and as a benefit to the rest of the world. Now there seems to be agreement, at least among those responsible for economic and monetary policy on both sides of the Atlantic, that the negative aspects of this deficit preponderate, that it should be gradually reduced, and that it is of overriding importance to keep the dollar strong, in the interests of both America and the world economy.

You will not be surprised when I tell you that a sagging dollar is not very popular in Europe and that countries are not enthusiastic when their currency is driven up disproportionately in relation to the dollar. But I want to stress that, contrary to what still seems to be assumed occasionally in the U.S., Germany for instance has always accepted an appreciation of the DMark brought about by underlying market forces, and has not attempted to artificially counteract it. Thus, the DMark has appreciated by 16 1/2 per cent against the dollar since the beginning of 1976 and by no less than 43 per cent since 1972. In both cases this goes considerably beyond the differences in cost and price developments in the two countries (the "inflation differential"), so that it has depressed the competitiveness

of our economy and increased the competitive position of American industry. This is also true when we examine the appreciation of the DMark in relation to a trade-weighted basket of all major currencies and compare it with relative cost and price developments. This has been one of our major, and sometimes quite painful, contributions to the payments adjustment process. The Japanese yen, which had at first lagged behind, has recently also joined this upward movement vis-à-vis the dollar and other currencies. But in passing I may note that we are somewhat sensitive when the German and Japanese payments cases are thrown into the same basket (as they sometimes have been by American commentators), for Germany has not relied on an export-led recovery, and it has already reduced its current account surplus to near-zero (and its basic balance of payments, i.e. including long-term capital, shows a large deficit), while the Japanese trade and payments surplus is still rising to record heights.

If we are in favor of a strong dollar, it is not only because of our trade interests, but even more because of the pivotal role of the dollar in the world monetary system. The dollar is not just another currency, it is the key currency of the world. A dollar which is constantly under a cloud of suspicion could have a disruptive influence on world trade and payments, quite apart from the possible effect of a sagging dollar on oil prices.

It is encouraging for the world community to see that the resolve to maintain a strong dollar is widely supported in this country. Chairman Arthur Burns - who has rightly been called "the dollar's bodyguard" - has repeatedly stated that "the integrity of the dollar must be defended", which is, of course, the opposite to benign neglect, and he has found a sympathetic echo all over the world. We in Germany also welcomed a statement by Secretary Blumenthal during his recent visit to our country, which he



underlined again in his keynote address this morning, namely that the United States is fully committed to the maintenance of a strong and stable dollar.

## IX.

How can this be achieved in practical terms?

1. There is no need to stress that the most important measure would be a meaningful U.S. energy program, because this would attack the major payments problem at its roots. Its effect on American oil imports will, however, be felt only over the longer run.

2. Some contribution towards a better external balance could also be expected from reducing the disharmony between the rates of economic expansion in the U.S. and other countries. We in Germany have accepted the principle that countries with strong currencies should "maintain adequate demand, consistent with anti-inflationary policies" (Undersecretary of the Treasury A.M. Salomon). We hope that not only our economy but also that of other countries will soon get back on an appropriate growth track. This is not easy when you have to deal with an economy like ours which has suffered from cost inflation and a prolonged profit squeeze, the latter not unrelated to the continuous appreciation of the DMark. But we are confident that the recently enacted fiscal stimulation program of the German government, supported by an appropriate monetary policy, will achieve the desired results.

3. How far could exchange rate policy be used as a tool for this payments adjustment? I would not deny that in individual cases a country's exchange rate vis-à-vis the dollar has to be adjusted to changed underlying market forces or inflation differentials. But a generalized depreciation of the dollar would probably not have much effect on the trade balance of the U.S.



in the short run, especially not on its crucial balance vis-à-vis the OPEC countries, and its negative effects on the American capital account, not to mention its unsettling effects on the world monetary system and on oil prices, would quite certainly far outweigh its positive effects.

4. The question has been raised whether a deliberate and cooperative management of the exchange rates of the dollar and some other major currencies (such as the yen, the DMark, and the Swiss franc) could not make a major contribution to more stability in the world monetary system. In this connection, the setting up of agreed target zones for the exchange rates of major currencies has been suggested. The idea is not new; such target zones were already discussed in the IMF some years ago, and were foreseen as a possibility in the Fund's 1974 Guidelines for managing exchange rates. But I feel that this is a non-starter (as it was in the years after 1974). Even to agree on fixed target zones themselves and the principles for their determination and change would be extremely difficult. Fixed targets might also create new, safe bets for currency speculation. Furthermore, an obligation of other countries to intervene in the dollar market in order to maintain certain exchange rate limits would entail such an enormous commitment in quantitative terms that it could not be compared to the commitments inside the European "Snake".

I do not rule out a more coordinated intervention policy among the major countries; on the contrary, I welcome it. We have, indeed, already made some progress in this direction. The present rule that interventions in the exchange market should be undertaken "only to smooth out temporary fluctuations" could perhaps be interpreted in a flexible way in view of the central position of the dollar in our world monetary system. But we cannot solve the payments imbalance between the U.S. and the rest of the world mainly by foreign exchange intervention; and we should not rely on massive intervention by monetary authorities to continue to act



in bridging the payments gap as it has done in 1977. I can only mention in passing the tremendous problems for domestic money creation as well as for international monetary liquidity which such massive intervention in the dollar market would entail.

During the transition period until the U.S. current account gets into better shape, an overall payments equilibrium between the U.S. and the rest of the world will have to be ensured by capital imports into the U.S. This should not be too difficult. A considerable part of the large current account deficit vis-à-vis the OPEC countries should be self-financing, as these countries in all likelihood will continue to invest part of their surpluses in dollar assets. But to achieve this balancing act through capital imports smoothly, American interest rates will have to remain attractive and confidence in the dollar unimpaired. In the final analysis, this will depend - and the strength of the dollar will depend - crucially upon successful anti-inflation policies.

As concerns our general attitude toward the dollar problem, I should like to associate myself with the advice recently given by Professor Walter Heller: "we should not lose our cool nor should we practice benign smugness". I say "we", as the health of the dollar is not only America's concern but also that of the rest of the world.

X.

Let me conclude: I have had to present to you a mixed picture as concerns international monetary relations. Problems which had seemed nearly intractable when the oil price explosion broke upon us in 1973/74 have been at least partly overcome and no longer look so threatening. New problems have arisen which confront us with new challenges. To meet them, we will probably need even more international coordination and cooperation than before. Never

before has the economic interdependence of all the nations of the world been more deeply impressed upon our minds than at present. A precondition for the necessary cooperation and coordination is a commonly agreed diagnosis of the problems. It is encouraging that we seem to have achieved common views on our major international monetary and payments problems on both sides of the Atlantic. I am confident that on this basis our cooperation in the international monetary field will be better than ever before.

DR. OTMAR EMMINGER  
PRÄSIDENT DER DEUTSCHEN BUNDESBANK

FRANKFURT AM MAIN



At its meeting on August 25, 1977, the Central Bank Council of the Deutsche Bundesbank took the following decisions:

1. The minimum reserve ratios will be reduced by 10 % of their present level with effect from September 1, 1977.
2. The banks' rediscount quotas will be raised by about DM 2 billion with immediate effect.

Through the reduction in minimum reserves some DM 4 1/2 billion of the compulsory non-interest-bearing deposits which the banks maintain at the Bundesbank will be released. The raising of the rediscount quotas will permit the banks to obtain additional funds from the Bundesbank at the discount rate. This will enable them to lower their present high level of short-term recourse to the Bundesbank through lombard loans and open market transactions in bills. These measures are in line with the monetary policy the Bundesbank has been pursuing for some time.



BOARD OF GOVERNORS  
FEDERAL RESERVE SYSTEM  
1977 AUG 31 AM 11:20  
RECEIVED  
OFFICE OF THE CHAIRMAN

Frankfurt am Main, 25. August 1977

Der Zentralbankrat der Deutschen Bundesbank hat heute folgende Beschlüsse gefaßt:

1. Die Mindestreservesätze werden ab 1. September d.J. um 10 % ihres bisherigen Standes gesenkt.
2. Die Rediskont-Kontingente der Kreditinstitute werden ab sofort um rd. 2 Mrd. DM erhöht.

Mit der Mindestreservesenkung werden rd. 4 1/2 Mrd DM der bei der Bundesbank von den Kreditinstituten zinslos zu haltenden Pflichteinlagen freigegeben. Die Erhöhung des Rediskontrahmens erlaubt den Kreditinstituten zusätzliche Refinanzierungen zum Diskontsatz. Damit wird es den Kreditinstituten ermöglicht, ihre derzeitige hohe kurzfristige Refinanzierung über Lombardkredit und Offenmarktgeschäfte mit Wechseln abzubauen. Diese Maßnahmen entsprechen dem seit längerem verfolgten geldpolitischen Kurs der Bundesbank.





Präsident Dr. Emminger und das Mitglied des Direktoriums Dr. Irmeler  
vor der Presse nach der ZBR-Sitzung am 25. August 1977

(nach Bandaufnahme)

Meine Damen und Herren!

Ich begrüße Sie zu dieser Pressebesprechung. Der Beschluß, den der Zentralbankrat heute gefaßt hat, ist Ihnen bereits ausgehändigt worden. Mit der Freigabe eines erheblichen Liquiditätsbetrages wollen wir die Versorgung der Kreditinstitute mit Notenbankliquidität auf eine dauerhaftere Grundlage stellen. In den letzten Monaten mußten die Kreditinstitute einen erheblichen Anteil ihres Bedarfs an Zentralbankgeld dadurch decken, daß sie kurzfristig Liquidität bei der Bundesbank gepumpt haben, und zwar durch Lombardkredit und durch die Zehntagesgeschäfte mit Wechseln. Das hätte mit der Zeit zu einer gewissen Verklemmung führen können, insbesondere weil mit dem September ein Monat vor uns steht, der schon aus jahreszeitlichen Gründen ohnehin einen zusätzlichen Liquiditätsbedarf aufweist. Infolgedessen haben wir heute beschlossen, diese kurzfristige und provisorische Liquiditätsbereitstellung durch eine dauerhaftere Liquiditätsausstattung abzulösen, nämlich durch eine Senkung der Mindestreserven und eine Erhöhung der Rediskontkontingente.

Frage:

Inwieweit sind diese Maßnahmen im Rahmen Ihres vorgegebenen Geldmengenziels zu verstehen, oder inwieweit haben Sie damit auch dem schleppenden Konjunkturverlauf Rechnung getragen, um mit einer vielleicht expansiveren Geldpolitik anregend zu wirken?

Emminger:

Zunächst möchte ich in Erinnerung rufen, daß ich schon Mitte Juli, vor den Sommerferien, als wir das letzte Mal hier zusammen waren, in Aussicht gestellt hatte, daß wir uns im August vor der Notwendigkeit sehen würden, einen Liquiditätsbeschluß zu fassen. Sie sehen daraus, daß dies ein Beschluß ist, der im Rahmen unserer längerfristigen Geldmengenpolitik, unserer längerfristigen



Liquiditätsversorgung liegt. Ich hatte damals sogar ziemlich genau gesagt, in 4 oder 6 Wochen, und das hieß eben, entweder am 11. oder 25. August würde dies eintreten; und zwar deswegen, weil wir einen solchen Beschluß zur längerfristigen Verbesserung der Liquiditätsausstattung der Kreditinstitute natürlich zweckmäßigerweise zu einem Zeitpunkt fassen, an dem aus Saisongründen sowieso eine zusätzliche Anspannung auf uns zukommt. Aber diese saisonmäßige Anspannung ist nicht ein primärer Grund, es ist nur der Anlaß für das Timing, für den Zeitpunkt. Im übrigen ist das Ausmaß, das relativ hoch erscheinen könnte - immerhin 4 1/2 Mrd DM Senkung der Mindestreserven und zusätzlich noch eine Erweiterung des Rediskontrahmens um 2 Mrd DM -, weitgehend dadurch bestimmt worden, daß gerade in den letzten 2 Monaten die Banken zur Deckung ihres Liquiditätsbedarfs stark auf diese provisorischen, kurzfristigen Liquiditätshilfen, den Lombardkredit und die Zehntagesgeschäfte, angewiesen waren. Natürlich hat auch mitgespielt, daß wir es bei der heutigen Konjunkturlage vermeiden wollen, auch nur vorübergehend eine Verknappung oder Verklemmung bei den Kreditinstituten eintreten zu lassen. Insofern hat im Hintergrund auch die Konjunkturlage eine Rolle gespielt. Sie würde es heute sicherlich nicht angebracht erscheinen lassen, durch vorübergehende Liquiditätsverklemmungen etwa plötzliche Ausschläge z.B. bei den Zinsen hervorzurufen. Aber dieser Gesichtspunkt fügt sich, und deswegen der letzte Satz in unserer Pressenotiz, in den längerfristigen geldpolitischen Kurs der Bundesbank nahtlos ein.

Frage:

Herr Dr. Emminger, in welchem Umfang sind bisher diese provisorischen Liquiditätshilfen in Anspruch genommen worden, wie hoch war das Gesamtvolumen der in Anspruch genommenen Zehntageswechsel, der Lombardkredite, und in welchem Umfang waren bisher die Rediskontkontingente ausgenutzt?

Emminger:

Das ist eine diffizile Rechnung, vor allem, weil diese Zahlen sich natürlich ständig verändern. Sie können das anhand unserer Wochenausweise verfolgen. Auch der aktuelle Stand besagt deshalb nicht viel, weil innerhalb weniger Tage große Veränderungen eintreten können.

Irmeler:

Deswegen würde ich nicht den letzten Stand nennen wollen. Im Verlauf des August ist bisher im Tagesdurchschnitt etwa 2 1/2 Mrd DM Lombard genommen worden; außerdem standen etwa 5 1/2 Mrd DM Zehntagesgeschäfte aus. Im Tagesdurchschnitt des August macht das zusammen also rd. 8 Mrd DM.

Frage:

Wie hoch waren die Wechselkredite, der Wechselrediskont, in Anspruch genommen?

Irmeler:

Im Tagesdurchschnitt des August bisher mit 63 %.

Frage:

Wie groß sind die Rediskontkontingente insgesamt?

Irmeler:

Das sind jetzt etwa 22 Mrd DM einschließlich der heute beschlossenen Erhöhung der Rediskontkontingente.

Frage:

Herr Präsident Emminger, Sie sprachen vom Ablösen der "provisorischen" Liquiditätshilfen; heißt das beispielsweise, daß das Volumen der Pensionsgeschäfte künftig herabgesetzt wird?

Emminger:

Das ist durchaus möglich; die heutige Freigabe ist ja so reichlich, daß wir eigentlich bald nach Inkrafttreten dieser Regelung Anfang September wahrscheinlich auf die Zehntagesgeschäfte mit Wechseln verzichten könnten. Aber ich will mich hier nicht festlegen, weil, wie Sie wissen, wir bei dieser Offenmarktpolitik mit Zehntageswechseln bewußt flexibel bleiben wollen. Erwünscht aber ist es, und angestrebt wird es, daß wir Anfang September von dieser provisorischen Methode, wie ich es einmal nennen möchte, herunterkommen.

Frage:

Wie sieht denn die Devisenbilanz aus? Im Juli kam es doch über die Währungsreserven zu einem Zufluß von etwa 2 Mrd DM, in der zweiten Augustwoche ist wohl ein Rückgang bei den Nettowährungsreserven eingetreten. Könnten Sie dies einmal erläutern?

Emminger:

Sie haben ganz recht gesagt, es gab im Juli einen Nettozufluß von rd. 2 Mrd DM. Wir haben im bisherigen Verlauf des Monats August einen Nettoabfluß von nicht ganz 650 Mio DM gehabt, so daß also noch nicht alles spekulative Geld, das uns im Juli zugeschwemmt worden ist, schon wieder abgeflossen ist. In der gesamten





Devisenbilanz seit Anfang d.J. bis heute haben wir 430 Mio DM Nettozufluß gehabt; praktisch ist das also eine Null-Bilanz. Das heißt, von der Devisenseite her, wenn wir von Anfang d.J. bis gestern rechnen, haben wir einen so geringen Nettozufluß, daß wir sagen können, unsere Devisenbilanz ist im Gleichgewicht - und ebenso unsere Gesamtzahlungsbilanz. Aber noch ein anderer Zahlungsbilanzbegriff ist wichtig, nämlich die sogenannte Grundbilanz. Diese "basic balance of payments" der Bundesrepublik, das heißt Leistungsbilanz plus langfristiger Kapitalverkehr, ist im ersten Halbjahr d.J. im Defizit gewesen, und zwar ganz beachtlich mit rd. 2 1/2 Mrd DM: Das bedeutet: Unser Leistungsbilanzüberschuß, der nicht ganz 5 1/2 Mrd DM betrug, ist weit überkompensiert worden durch langfristige Netto-Kapitalexporte. In den sieben Monaten von Januar bis einschließlich Juli haben wir einen Überschuß der Leistungsbilanz von 4,1 Mrd DM gehabt. Der langfristige Kapitalverkehr hat mit einem Defizit von 8,6 Mrd DM abgeschlossen, so daß die Grundbilanz in diesen sieben Monaten ein Defizit von 4,5 Mrd DM aufwies. Wenn man also von der Bundesrepublik immer als einem Überschußland spricht und glaubt, daß dieser Überschuß den D-Mark-Kurs vom Markt her in die Höhe treiben müßte, so ist das eben nur eine Teilbetrachtung; denn man läßt dabei außer acht, daß wir durch unsere sehr niedrigen Zinssätze einen sehr hohen Nettokapitalexport langfristiger Art haben. Wir haben heute ein Zinsniveau, das 1 1/2 bis 2 % niedriger als das in den Vereinigten Staaten ist.

Frage:

Herr Dr. Emminger, wie sehen denn die letzten Schätzungen aus für das Wachstum des Bruttosozialprodukts im 2. Quartal?

Emminger:

Wir haben für das 2. Quartal keine eigenen Schätzungen vorliegen. Sie wissen, daß wirklich verlässliches statistisches Material ja immer noch Seltenheitswert hat, aber ich glaube wohl sagen zu können - aber Herr Schlesinger, korrigieren Sie mich, wenn ich es falsch formuliere -, daß im 2. Vierteljahr d.J. das reale Wachstum ganz geringfügig war. Es war sicher nicht weit entfernt von einer Stagnation, und zwar, um es präzise zu sagen, vom ersten zum zweiten Vierteljahr gerechnet. Gegenüber dem Vorjahr war auch das 2. Vierteljahr immer noch im Plus, aber nicht mehr so wie in den vorangegangenen Vierteljahren.

Frage:

Und die Schätzung für das 1. Vierteljahr, das bleibt bei 4 %?



Emminger:

Das bleibt bei ungefähr 4 %, ja!

Frage:

Herr Dr. Emminger. Was sollte die Bundesregierung nach Auffassung der Notenbank zur Stabilisierung der Konjunktur tun?

Emminger:

Das ist eine Frage, die ich Ihnen zu meinem Bedauern heute nicht beantworten kann. Erstens wüßte ich es gerne selber, und zweitens, wenn ich es wüßte, dann könnte ich es Ihnen heute mit Sicherheit nicht sagen.

Frage:

Soll überhaupt etwas getan werden?

Emminger:

Dazu kann ich Ihnen nichts sagen; allenfalls dieses: Wir haben darüber auch heute im Zentralbankrat gesprochen. Wir teilen die Ansicht derjenigen, die meinen, daß es entscheidend wichtig ist, daß Beschlüsse, wenn sie gefaßt werden sollten, so rasch wie möglich kommen, d.h., daß diese Periode der Ungewißheit so rasch wie möglich beendet wird. Das ist wirklich, wie ja schon mehrfach gesagt worden ist, Gift für die Wirtschaft, das verstärkt den Attentismus, und der Attentismus ist sowieso zur Zeit einer der hemmenden Faktoren für einen normalen Fortgang der Konjunktur. Man kann also nur sagen, je rascher, desto besser, oder: Es muß so schnell wie möglich entschieden werden.

Frage:

Ich hatte vorhin etwas gefragt, es bezog sich noch einmal auf die Rediskontkontingente. Wo sehen Sie denn die praktische Wirkung der Freigabe oder der Erhöhung der Rediskontkontingente um 2 Mrd DM, wenn die jetzigen bei 22 Mrd DM ohnehin nur zu 63 % in Anspruch genommen werden?

Emminger:

Der Sinn dieser Erhöhung ist folgender: Wir gehen davon aus, daß es von Zeit zu Zeit immer wieder Perioden geben wird, in denen wir keine Zehntagesgeschäfte mit Wechseln offerieren. Heute ist die Ausnutzung der Rediskontkontingente deswegen so relativ gering, weil es für die Kreditinstitute viel einfacher ist, ihre Wechsel



bei uns auf 10 Tage in Pension zu geben, als sie zu rediskontieren, wo sie sich, dann auf 4, 5 oder 6 Wochen fest binden müssen. Wenn dagegen, was wir hoffen und erwarten, die Zehntagesgeschäfte mit Wechseln wegfallen, dann werden mit großer Wahrscheinlichkeit, wenn nicht sogar Sicherheit, die normalen Rediskontkontingente wieder stärker ausgenutzt. Und wenn nun der Rahmen für diese Rediskontkontingente höher ist, besteht auch die Chance, daß sie stärker ausgenutzt werden. Das ist der Sinn. Sie müssen das in Einem sehen, wir wollen weg von dieser Finanzierung über provisorische Mittel und mehr auf die normalen, traditionellen Instrumente zurückkommen.

Frage:

Aber, Herr Dr. Emminger, besteht nicht angesichts der wirtschaftlichen Stagnation die Gefahr, daß ein großer Teil dieser insgesamt 6 1/2 Mrd DM an freigegebener Liquidität ins Ausland geht, weil dort höhere Zinsen geboten werden, so wie dieses auch in letzter Zeit aufgrund der Zahlen, die Sie genannt haben, geschehen ist? Dann wäre dies eigentlich für die innere Entwicklung, wollen wir einmal sagen, keine Initialzündung?

Emminger:

Wenn das eintreten sollte, was Sie eben sagten, würde das ja zunächst primär die Wirkung haben, daß der DM-Kurs etwas nach unten und der Dollarkurs etwas nach oben gedrückt würde, was auch nicht zu verachten ist. Außerdem haben wir, das habe ich damit schon ausgedrückt, das Floaten, und es wird nicht wahrscheinlich sein, daß in einem Regime des Floatens plötzlich Milliardenbeträge per Saldo ins Ausland gehen. Vor allem werden die Banken diese dauerhafte Verbesserung ihrer Liquiditätsgrundlagen nun dazu verwenden, um die provisorischen Refinanzierungen abzulösen. Man hat sogar hören können, daß manche Kreditinstitute glaubten, sie kämen allmählich in eine Verklemmung durch diese sehr provisorische Refinanzierung bei der Bundesbank, und gerade solche Verklemmungen wollen wir auf diese Weise vermeiden. Ich glaube nicht, daß es schon echte Verklemmungen gibt, aber wir wollen das auf alle Fälle vermeiden, und dann werden eben diese Freigaben dazu verwendet, um die Liquiditätsbasis der Kreditinstitute auf eine dauerhaftere Basis zu stellen.

Frage:

Herr Emminger, noch zwei kurze Fragen. Einmal, Minister Ehrenberg war doch vor wenigen Tagen bei Ihnen: Hat Herr Ehrenberg irgendwie die Bundesbank gebeten,



vielleicht der Bundesregierung mit einer expansiveren Geldpolitik zu helfen? Das ist die eine Frage; die andere: Sieht die Bundesbank überhaupt noch Möglichkeiten, mit ihrem Instrumentarium etwas zu tun, um die Konjunktur anzuregen, oder sind Sie nicht mit Ihren Mitteln, die Sie zur Verfügung haben, eigentlich am Ende Ihres Lateins?

Emminger:

Zur ersten Frage kann ich Ihnen sagen, daß Minister Ehrenberg sein volles Einverständnis und seine Zufriedenheit mit unserer Geld- und Kreditpolitik ausgedrückt und keine zusätzlichen Anregungen gegeben hat. Zum zweiten, wir haben tatsächlich mit unserem geldpolitischen Instrumentarium schon eine ganze Menge in dem Sinne bewirkt, wie Sie es eben andeuteten, denn wir haben von der Finanzierungsseite her doch wirklich sehr gute Grundlagen für ein Wachstum der Volkswirtschaft gelegt. Wir haben nun ein Zinsniveau, wie wir es seit 13 oder 15 Jahren nicht mehr hatten. Wir haben reichliches Geld, und mehr kann man eigentlich von der Geldseite aus nicht dazu tun. Reichliche Finanzierungsbedingungen zu billigen Zinsen, das ist das, was wir von uns aus anbieten können. Eines kann ich noch hinzufügen: Es ist überall anerkannt, daß die Bundesbank mit ihrem bisherigen Kurs das, was von der Geldseite her überhaupt getan werden kann, getan hat, und daß die Hemmnisse, die heute bestehen, die Schwächen, die heute in unserer Konjunktur immer wieder spürbar werden, nichts mit der monetären Seite zu tun haben, sondern, daß da ganz andere Faktoren im Spiele sind. Das ist heute allgemeine Überzeugung, und deswegen gibt es keinerlei Druck oder Forderungen gegenüber der Bundesbank.

Frage:

Herr Emminger, der 2 Milliarden-Dollar-Kredit an Italien wird im nächsten Monat, wie vorgesehen, noch mal verlängert werden?

Emminger:

Ich kann Ihnen dazu jetzt nichts sagen. Bei der nächsten Gelegenheit hoffe ich, Ihnen das genauer explizieren zu können, aber heute kann ich Ihnen dazu keinen Kommentar geben.

Frage:

Herr Dr. Emminger, rechnen Sie damit, daß die Mindestreservefreigabe insgesamt auch noch billigere Kredite bedeuten kann?





Emminger:

An sich ist im Augenblick bei den Sollzinsen immer noch eine Zinssenkung im Gange, und ich rechne schon damit, daß durch diese ziemlich massive Freigabe von Mindestreserven die Zinssenkung, die ja sowieso im Gange ist, noch einen weiteren Push nach unten bekommen wird. Das würde ich schon vermuten, aber ich möchte keine ganz feste Prognose stellen. Wohl aber glaube ich sagen zu können, daß die Zinssenkung, die sich bisher vollzogen hat, dadurch mit Sicherheit eine festere und dauerhaftere Grundlage bekommen wird.

Frage:

Beziehen Sie das auch auf den Kapitalmarktzins oder nur auf die Sollzinsen?

Emminger:

Das würde ich auch auf den Kapitalmarktzins beziehen.

Frage:

Ist vorgesehen, daß der Bund im nächsten Monat eine Anleihe auf den Markt bringt?

Emminger:

Da gibt es noch keine festen Beschlüsse oder Absichten.

Ich danke Ihnen meine Damen und Herren.



DR. OTMAR EMMINGER  
PRÄSIDENT DER DEUTSCHEN BUNDESBANK

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

1977 JUN 13 AM 10:37  
6 FRANKFURT AM MAIN  
WILHELM-EPSTEIN-STRASSE 14  
TELEFON 1581

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6th June 1977

Prof. Arthur F. Burns  
Chairman  
Board of Governors  
Federal Reserve System

Washington, D.C. 20551/USA

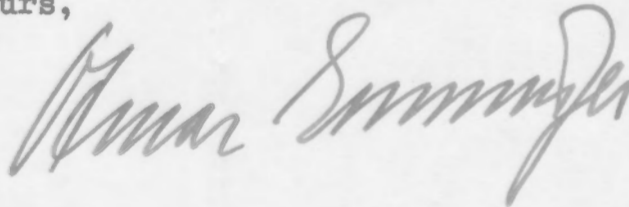
Dear Prof. Burns,

You were good enough to congratulate me in a particularly nice way on my appointment as President of the Deutsche Bundesbank. Many thanks to you and to your colleagues. The words of encouragement from so many friends abroad mean a great deal to me.

I fully share your view that continued close relations between our institutions can be of great help in the present troubled times.

Looking forward to meeting you soon in Washington, I remain,

Sincerely yours,



December 23, 1975

**Dr. Otmar Emminger**  
**Vice President**  
**Deutsche Bundesbank**  
**6 Frankfurt AM Main**  
**Germany**

Dear Dr. Emminger:

Upon returning from our Paris meeting, I was pleased to find your London address on my desk. I have read it with the greatest interest.

I would like to reciprocate by sending you two of my recent speeches, and I am glad to have this opportunity to wish you the very best for the coming year.

Sincerely yours,

Arthur F. Burns



DR. OTMAR EMMINGER  
VIZEPRÄSIDENT DER DEUTSCHEN BUNDESBANK

BOARD OF GOVERNORS  
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1975 DEC 19 PM 3:12

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6 FRANKFURT AM MAIN  
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December 16, 1975

Professor Arthur E. Burns  
Chairman  
Board of Governors  
Federal Reserve System

Washington, D.C. 20551

#2055

Dear Professor Burns,

I have pleasure in sending you the text of an address which I gave in London a few days ago.

You will find in some of my remarks the influence of your various speeches. I have also quoted you on page 11.

With my very best wishes to you and Mrs. Burns for the Christmas days and for a good New Year I remain

very sincerely

yours

*Ottmar Emminger*

Encl.





## The International Monetary Situation - a European View

Remarks by Otmar Emminger, Deputy Governor of the  
Deutsche Bundesbank,  
at the Annual Conference of  
"The Financial Analysts Federation" in Chicago,  
June 2nd, 1975

The international monetary situation bristles with unsolved problems - let me only mention inflation, international payments difficulties, petrodollars, foreign exchange fluctuations, the position of the dollar, and, finally, international monetary reform. George Santayana once wrote: "There are two kinds of problems: those that are soluble but are of minor importance, and the really important ones which are usually insoluble". Fortunately he did not exclude the possibility that in exceptional cases even important problems can be solved.

### I. Inflation

One important problem that urgently needs solution is inflation. Inflation is not only an awesome domestic problem but has also become a major disruptive force in international monetary relations. Last year the average inflation rate in the industrial countries, as measured by consumer prices, was nearly 14 per cent. However, there were strongly divergent trends; the scale of price increases ranged from 7 to 24 per cent in these countries.

In a world subject to such disruptive inflationary forces it is, of course, impossible to maintain stable exchange rates. Accelerating inflation has officially been cited as one of the major reasons why the attempt at a comprehensive reform of the international monetary system - the "grand design" - had to be given up in the summer of 1974. Inflation has also been termed "the greatest enemy to European economic integration". It is



within the European Community that we have experienced the widest gaps in inflation rates. The solemn pledges of the E.E.C. members to attain monetary and economic union by 1980 have gone by the board, mainly because there is no prospect of achieving the requisite harmonisation and stabilisation of economic and monetary developments in the member countries. It is noteworthy that a few weeks ago a high-level group of E.E.C. experts confirmed the failure of the approach to monetary and economic union on the basis of permanently fixed exchange rates and proposed to secure at least a modicum of monetary integration inside the E.E.C., with controlled floating taking account of inflation differentials.

Where do we stand now, in the middle of 1975, in the battle against inflation?

The rate of price increases has slowed down in nearly all major European countries, with one albeit important exception, namely Britain. In the European industrial countries minus Britain, consumer prices increased on average at an annual rate of 9 per cent between the last quarter of 1974 and the first quarter of this year, compared with the peak of over 13 per cent last year. This slowdown in the inflation rate has been less marked than in the United States, where between the last quarter of 1974 and the first quarter of 1975 inflation came down to an annual rate of 7 per cent. On the other hand, the slowdown in business activity has also been less pronounced in Europe than in the United States.

Let me mention a few noteworthy features of the present inflation scene, as viewed from Europe.

First, despite recent recessionary developments the support for stabilisation policies is still strong. It has been more and more widely recognised by public opinion that over the longer

run there is no real trade-off between inflation and under-employment and that, on the contrary, inflation is sooner or later likely to bring recession and unemployment in its train. A recent convert to a stabilisation policy has been France, and this with notable success. Its impending return to the European currency bloc, called the "snake", is also expressly motivated by a desire to submit its economy to the monetary discipline inherent in the "snake" arrangement. In some countries, at least, politicians have a better chance of winning votes through a firm stabilisation policy than by inflationary permissiveness.

I don't, however, want to convey the impression that anything like a uniform "European" attitude towards inflation has evolved of late. On the contrary, Europe is split on this issue. There are unfortunately some European countries where the national consensus among the various social and political groups has disintegrated to the point of creating a general "let the devil take the hindmost" attitude with serious consequences for inflation and the economic system as a whole.

Second, although in a number of European countries some initial battles have been won against inflation, we do not yet know whether the war against inflation will be won in the end. We are not quite sure whether the present lower rate of inflation - which we in Germany hope to bring down to about 5 per cent by the end of the year - is only a temporary lull brought on by recession, or whether the coming business upturn will not fan the fire again. There is, therefore, at present some reluctance to relax the monetary reins too much in order not to generate a new round of inflation. We in Germany feel rather confident that business activity will recover in the second half of 1975. We would, however, prefer a gradual and longer-lasting upturn to a sudden spurt

into high-speed expansion. It seems that in the United States and Japan, too, a recovery can be expected in the second half of this year. Thus, the three major industrial countries of the western world would take the lead in lifting the world economy out of its doldrums, and fortunately all three are free from balance-of-payments constraints to pursue such a policy.

A third interesting feature is the adoption of monetarist ideas in the formulation of economic policy goals. In Germany, the Bundesbank announced last December for the first time a quantitative goal for money growth for the full year 1975; according to this goal, it will permit an increase in the monetary base ("central bank money") of 8 per cent over the year - a fairly moderate rate in our institutional setup, permitting nevertheless some real growth. This is intended to guide expectations and to provide a monetary framework within which wage negotiations, government borrowing, and other economic decisions are expected to be accommodated. Up to now, we have been reasonably well on target.

Fourth and finally, we have had in Europe some examples of how destructive uncontrolled inflation can be for the very basis of a private-enterprise economy. Time does not allow me to go into details here. However, what we see in a few European countries tempts me to quote Keynes, who is so often criticised as being the father of monetary permissiveness. But it was he who once wrote: "There is no less conspicuous, yet simultaneously surer, way of destroying the present foundations of society than through the corruption of the currency. This frees the hidden forces of economics - which not one in a million can diagnose - in a destructive way". This could have been written, word for word, by Professor Burns.



## II. International Payments - Petrodollars

In one respect it is very easy to diagnose the hidden forces of corrupted money, namely in their disruptive effects on the balance of payments. After one and a half years of exorbitantly high oil prices we can say now that inflation has distorted the international payments system nearly as much as the quadrupling of oil prices. We are, indeed, faced with a dual balance-of-payments problem in the world: on the one hand, the huge global imbalance between the oil-exporting and oil-importing countries; on the other hand, the disequilibria among the oil-importing countries themselves, due in the main to inflation differentials and cyclical lags.

It is remarkable that despite this dual payments strain we have not been confronted with a major currency crisis - let alone currency breakdown - since the beginning of 1974. I would ascribe this astonishing fact mainly to two factors: first, the recycling of petrodollars, i.e. the surplus funds of the oil countries, has up to now functioned better than most people had anticipated; second, flexible exchange rates have cushioned the strains on the payments system.

As concerns the oil-induced payments disequilibria, we have recently witnessed a significant reduction in them. This has in some quarters produced the euphoric feeling that the payments problems created by the oil price hike are as good as over. This euphoria is, in my view, misplaced, because at least part of the improvement has been due to temporary factors. What are the facts? The financial surplus of the OPEC countries was about 55 billion dollars in 1974 and according to the most recent forecasts is likely to fall to around 45 billion dollars (or perhaps even less) in 1975. Both figures are lower than was estimated

earlier, partly because imports of goods into the OPEC countries have increased by leaps and bounds (in dollar terms by 70 per cent in 1974, with a similar jump likely in 1975), partly because of the high level of financial aid granted by OPEC countries to their political affiliates, and partly also due to a lower volume of oil imports and a recent slight easing in oil prices.

But these lower oil imports are clearly a temporary phenomenon only, being mainly due to the recession. There are also ominous noises that another increase in oil prices may occur before the year is out. So we should not be lulled into complacency by the fact that since the beginning of the year payments deficits have been shrinking in a number of industrial countries.

There still remain enough payments problems:

- With the impending business upturn the world's oil bill is bound to grow larger again, quite apart from the possibility of a new price increase.
- In the course of time the financing problem will increase in difficulty for countries with persistent large payments deficits.
- In many developing countries the payments situation has not improved at all but is, on the contrary, deteriorating.
- And finally, even with the downward-adjusted present estimates, the accumulated financial surplus of OPEC countries may have reached the massive amount of about \$ 200 billion by the beginning of the 'eighties.

I mentioned already that up to now the financing of oil-induced payments deficits has worked surprisingly smoothly; maybe even too smoothly in some respects.

The oil-importing countries, taken as a group, have not been forced to run down their monetary reserves; these are even greater now than one and a half years ago. During the same period the monetary reserves of the OPEC countries expanded by about 34 billion dollars; and this whole reserve increase was financed, in the final analysis, not by a reserve transfer from deficit countries, but by borrowing reserves and reserve creation within the world monetary system. This rather uncanny potential of the world's reserve system to expand was recently stressed by the Managing Director of the IMF, who reminded us that the collective control of international liquidity has always been one of the major goals of international monetary reform since this is one of the conditions for successfully fighting world-wide inflation. True - but I don't quite see how we can gain effective control over the various sources of international reserve creation, such as Euromarkets, voluntary accumulation of dollar and other currency reserves by OPEC countries, etc.

In 1974, oil funds equivalent to about 7 billion dollars were invested in sterling assets. Thus the British payments deficit, the biggest deficit of all, could be financed "painlessly" for quite some time. This easy financing may have contributed toward maintaining that particular deficit for too long and at too high a level. The large inflow of petrodollars into Britain also delayed the - otherwise inevitable - adjustment in the external value of the pound sterling to its internal loss of purchasing power; and when the sterling exchange rate recently caught up with the domestic inflation rate inside a short time span, this created a certain dramatic atmosphere, although it was a natural process.



### III. Flexible Exchange Rates

"Floating" exchange rates came into being on a world-wide scale in March 1973 when a group of European currencies went over to "bloc floating" in relation to the U.S. dollar. In my view, "floating" has worked well and stood its test during the very difficult period since then.

There are differences of view about this. Some observers have become increasingly sceptical and critical of flexible exchange rates, particularly among European central bankers. Some, including well-known financial experts in the United States, have even called it "a failure".

I shall leave aside the criticism that floating is accompanied by some inconveniences and costs for foreign trade, or that occasionally it appears to have exerted some inflationary influence on the world as a whole. This could be said equally - and as concerns inflation even far more - of a crisis-prone system of fixed parities. In this connexion it may interest you that in Germany we date the beginning of successful stabilisation policies from March 1973, i.e. the beginning of floating; for only since then have we regained control over our domestic money supply.

Floating has certainly disappointed the expectation of its more naive proponents that it would more or less automatically equilibrate distorted balances of payments. However, in spite of floating some large payments disequilibria still persist among industrial countries. But this is not at all surprising. Floating alone cannot do the job unless a deficit country accepts the adjustment effect of a depreciation in its currency in real terms, i.e. a relative lowering of its standard of living as compared with other countries. If this primary effect of depreciation is immediately compensated by increases in nominal wages - as has been the case in some European countries - the country concerned will end up in a vicious inflationary spiral. Or to put it in a nutshell: there just does not exist a painless short-cut toward the elimination of large payments deficits.



This implies that "floating" has also disappointed those optimists who had thought that it would give a country a carte blanche for its domestic economic policy. Of course, it does not. "Clean" floating quickly reflects, in the external currency value and in import prices, the degree of domestic inflation a country indulges in; and the exchange rate may temporarily even over-react because of time lags in the adjustment of foreign trade. Thus it brings home, in a very direct way, the effects of domestic extravagance, and in this way exerts perhaps more pressure on economic policy than a gradual outflow of reserves in a fixed parity system would do. Moreover, interest rates as well as other monetary and financial developments can have a significant, and sometimes undesired, influence on the external value of a currency; and this may again act as a restraint on domestic policies. We have indeed the word of a well-known high American official that he is not sure whether a country like the United States has not been more restrained in its monetary policies under a floating rate system than under the old Dollar Standard where for years it could pursue a policy of "benign neglect" with impunity.

The fact that, particularly in a time of generalised inflation, a depreciation of a country's exchange rate is usually unpopular (except with the exporting community) explains perhaps why we have not seen any of the much-feared "competitive depreciation" of currencies up to now. Since 1974 we have, rather, witnessed cases where the external value of certain currencies was artificially propped up by heavy intervention in the exchange markets or officially-induced external borrowing. I should like to add, in parentheses, that even in the more difficult circumstances of the 'thirties, contrary to a widely-held belief, the exchange rate system was not characterised by competitive depreciations.

Whatever the pros and cons in the present discussion on "floating", they will probably have little effect on the actual exchange rate system we are likely to have in the near future. And this for the simple fact that, at least as concerns the relationship between the dollar and other major currencies, we don't have a realistic alternative to floating.

There are three main reasons for this:

first, world-wide inflation, and the large inflation differentials that inevitably go with it;

second, the gigantic dollar overhang and the existence of the Eurodollar market;

third, the oil price hike and its attendant payments strains and uncertainties.

Thus, even those who are highly critical of "floating" will have to resign themselves to living with it for the foreseeable future.

All this applies, however, only to exchange rates in a world-wide context, and in particular to their relationship with the dollar. Regional parity systems are not precluded. On the contrary: a regional system like the European currency bloc ("snake" arrangement) has good chances of expanding among countries which have reasonably harmonised economic policies and not too large gaps in inflation rates. Thus, in the years to come we are likely to witness a rather diversified exchange rate system in the world economy:

a) currencies floating in isolation, b) regional parity systems like the "snake" arrangement, with joint floating

against the dollar and other currencies, and c) currencies pegged to the dollar, to sterling, to other currencies, or to a unit of SDRs (Special Drawing Rights). It may interest you that at present countries whose currencies are floating independently have a share of about 48 per cent of world trade, while those in the European joint-floating bloc comprise about 22 1/2 per cent; but the latter group will very soon increase its share at the expense of the former if and when France, and possibly also Switzerland, join the "snake".

#### IV. International Monetary Reform

Will the world monetary scene one day be changed by international monetary reform? This seems to be a topical question at a moment when the world's finance ministers are about to gather in Paris for an important monetary conference, the meeting of the so-called "Interim Committee" of the International Monetary Fund, on June 10 and 11.

My answer is: no major change is likely in the near (or even foreseeable) future. After the "grand design" reform foundered on the rocks of inflation, oil, et cetera in 1974, the Fund and its members resigned themselves to an evolutionary approach by piecemeal reform. At the Paris Monetary Conference three problems will be in the limelight: a general increase of members' quotas in the Fund coupled with a reshuffling of quota shares; future rules for official gold transactions; and a number of revisions of other Fund rules, including the legalisation of "floating". Contrary to some pessimistic forecasts, my guess is that the chances for agreement on some, if not all, of these problems are better than even. But I doubt if it will in fact make much difference

to the world's exchange rate system whether "floating" is put on an equal footing with an adjustable parity system in the new IMF Statutes (as the majority of the IMF members seem to prefer) or whether it is relegated to being an exception to the general rule (as some others strongly request). The mixed exchange rate system which I outlined as the most likely one in the near future will be imposed on the world economy not by formulas on paper but by hard economic facts.

The gold problem will be high on the agenda for discussion - gold always has an almost mystical lure for officials and journalists alike. But even an agreement on new rules for gold will not greatly change the monetary realities of the world, at least not in the immediate future. Gold transactions among central banks at freely agreed prices may be sanctioned (possibly with some self-imposed restraint agreed upon for a transitional period). But I cannot visualise any large-scale use of this new freedom because of the practical difficulties involved. It is more likely that gold will be used for the settlement of balance-of-payments deficits only in exceptional cases; and this will be more easily done in a form already permitted at present, i.e. using gold as a collateral for balance-of-payments loans, like the 2 billion dollar loan granted last autumn by the Bundesbank to the Italian central bank. Sales of official gold on the free gold market are permitted already under present rules, anyway. The real difficulty in the field of gold is the question of what to do with the Fund's own gold - worth about 6 1/2 billion dollars at the old official gold price. If no agreement can be reached on this problem, it will probably be shelved for many years to come under some vague formula. It would, of course, be regrettable to let a valuable Fund asset - worth about 25 billion dollars at today's market prices - lie dormant for many years, while at least part of it could be used in a non-inflationary way for some useful purposes.



V. Concluding Remarks

What then are the really important problems in the international monetary situation? They are first of all inflation and balance-of-payments disequilibria. Both primarily require appropriate national action. At present, it is the particular responsibility of the major industrial countries to strike the right balance between fighting today's recession and avoiding tomorrow's inflation.

There is also great scope for better international cooperation in economic and monetary policies. There are two fields where cooperation between the United States and the European currency bloc is particularly important, namely interest rate policies and intervention policies in the exchange markets.

The exchange rate of the dollar in relation to the major European currencies is at least as much influenced by capital movements as by competitiveness in goods and services. This is one of the reasons why I would not venture to join the chorus of those who proclaim that "the dollar is undervalued". It is simply impossible to know this. The proper valuation of a currency like the dollar is not only a matter of relative costs and prices, or relative balances of goods and services. It is also dependent on factors determining the external capital balance - not to speak of the dollar overhang in the world. Sizeable differences in interest rates exert a great influence in this field. It is, therefore, very much to be welcomed that cooperation between the American and several European monetary authorities in this field has been intensified of late.

The same is true of intervention policies in the exchange markets. Here the guiding principle has been to maintain "orderly exchange markets". This implies a smoothing out not only of the daily ups and downs but also of weekly or even monthly fluctuations which have the appearance of being temporary in nature.

The dollar is still by far the most important intervention currency in the world. It is noteworthy that recently the French suggested a greater use of dollar intervention even within the European currency bloc. The dollar is also by far the most important currency in which foreign exchange reserves are held. About three quarters of the 155 billion dollars worth of official exchange reserves in the world are denominated in U.S. dollars (although not all of them are held directly in the United States).

When it comes to the stability of the world monetary system, we have primarily to look towards the dollar. So I will leave with you a final European view: if and when the dollar has fully regained its stability in terms of costs and prices, this will not only strengthen the dollar's external value in the exchange markets; it will also strengthen and stabilise the world's monetary system as a whole.



October 29, 1974

Dear Dr. Emminger:

The analysis presented in your Madrid address is forthright and incisive. The paper deserves to be read widely, and I am grateful to you for favoring me with a copy.

With kind regards,

Sincerely yours,

Arthur F. Burns

Dr. Otmar Emminger  
Vice President  
Deutsche Bundesbank  
Frankfurt, Germany

AFB:ccm



*paper*  
*AFB*  
10/31/74  
*AM*

September 4, 1974

To: Mr. George Spencer

From: Charles Siegan

We were given the attached letter from O. Buminger to the Chairman by Mrs. Mallardi. Since Mr. Lucht and his associates are interested in an area of the System's activities not related to the Division of International Finance, it would seem more efficient that arrangements for the visit be handled through your office. If we can be of assistance in connection with this visit, please let me know.

We would appreciate it if you would keep us informed about the final arrangements for this visit.

cc: Mrs. Mallardi  
Mr. R. Bryant



Attachment: Aug 21 74 ltr Buminger to Burns re visit of 3 staff members of Bundesbank re automation.

CJSiegan:dcj



DR. OTMAR EMMINGER

VIZEPRASIDENT DER DEUTSCHEN BUNDESBANK

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

1974 AUG 28 AM 11:45

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August 21, 1974

# 1556

Professor Dr. Arthur F. Burns  
Chairman  
Board of Governors of the  
Federal Reserve System

Washington, D.C. 20551

U.S.A.

*RB*

Dear Professor Burns:

May I submit to you the following matter:

In October this year a member of our Board, Herr Werner Lucht, who is responsible for questions of automation, would like to acquaint himself with the state of automated payments and the establishment of data banks in the non-statistical sector and also with the Federal Reserve System's plans in this field for the future.

For this purpose he plans to visit the Federal Reserve Board on October 9, 1974 together with his staff members, Herr Hans Scholz and Herr Rolf Engler. Subsequently visits to the Federal Reserve Banks of Richmond, New York, Kansas City, San Francisco and Atlanta have been foreseen.

I would be most grateful if the member of the Federal Reserve Board who is responsible for this field could receive Herr Lucht and his accompanying staff on that date at a time convenient to him.

Thanking you in advance, I am,

Yours sincerely,

*Ottmar Emminger*



July 19, 1973

Dear Dr. Emminger:

I am enclosing a copy of a letter that I have just sent to Dr. Klasen. My understanding is that he is away on vacation and I therefore want to keep you informed.

I look forward to seeing you at the ministerial meeting later this month.

With kind regards,

Sincerely yours,

Arthur F. Burns

Dr. Otnar Emminger  
Vice President  
Deutsche Bundesbank  
Frankfurt, Germany

Enclosure

AFB:ccm



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date April 23, 1973

To Mrs. Mallardi

Subject: Summary of Journalist's

From Martin J. Kohn

Interview with Dr. Emminger

In the attached clipping, Dr. Emminger discusses international monetary matters in an interview in the March 28 issue of the Swiss weekly newspaper, "Die Weltwoche." I briefly summarize below points he makes that might be of interest to the Chairman.

Dr. Emminger says that "all experts" now believe that the arrangements agreed to recently in Brussels and Paris have brought the dollar into a correct relationship with other major currencies and that this relationship (in the sense of the value of the dollar vis-à-vis other currencies) should last for an extended period. [He obviously has in mind not only the events of last March, but the February devaluation of the dollar as well.] Dr. Emminger notes that, in the opinion of the IMF's Managing Director, if any error has been made, it has been on the side of devaluing the dollar too much, rather than too little. Dr. Emminger's own view is that the current structure of parities -- "including the position of the yen, which has been, or still will be, reached" -- "corresponds to the economic realities."

Dr. Emminger also speaks approvingly of the exchange rate flexibility provided for by the "solution" reached in March. Such flexibility is useful mainly as "an effective weapon for defense against disruptive short-term monetary and capital movements."

Dr. Emminger sees the floating of the dollar against the "European Block" as a temporary arrangement. Fixed but adjustable parities remain



the goal. The presumably interim float should last until the dollar "has regained its strength" -- so that disturbances in the exchange markets caused by the weakness of the dollar for once and for all disappear -- and until the outline of the new international monetary system becomes clearer. Dr. Emminger declines to predict how long the float will continue but says it may last at least until the annual IMF meetings in Nairobi in September.

Dr. Emminger indicates his belief that the imposition of additional capital controls by many European countries at the time the joint float was initiated was illogical, since the float itself should prove an effective "shield" against dollar capital inflows. The explanation of the new capital controls, Dr. Emminger says, was the fear among Common Market countries that announcement of the joint float would trigger a new surge in demand for their currencies.

Dr. Emminger says that gold will continue to play an important role in the world monetary system if only because 30 per cent of world reserves -- \$45 billion at the present gold-dollar parity -- are in gold. He voices support for allowing central banks to sell gold in the free market to damp speculation. He considers the March 1968 agreement forbidding such sales to have been a dead letter since August 1971. In advocating anti-speculation gold-sales, Dr. Emminger emphasizes, however, that he is opposed to intervention designed to drive the free market gold price down to the official gold price of \$42 an ounce.





Dr. Emminger denies that the DM is still undervalued. He notes that the mark has been revalued 43 per cent against the dollar since 1969. He predicts that the DM, largely because of the 3 per cent revaluation in March, will be at the bottom of the European snake.

Dr. Emminger expresses confidence that the United States realizes the dollar exchange rate is not a matter of purely national concern. He says the United States has abandoned adherence to "benign neglect" in favor of a policy of "benign interest" in its own exchange rate. Dr. Emminger then adds, "If the Americans are ready to document [this change of attitude] through appropriate intervention, so much the better, even if this intervention must be financed by European central banks."



**Alexander Sachs**



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# DIE WELTWOCH

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## Wunder dauern etwas länger

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FORTSETZUNG VON SEITE 17.

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etwas beruhigend am freien Goldmarkt eingreifen. Mehr aber nicht. Irgendwelche Absprachen hinsichtlich solcher Massnahmen bestehen gegenwärtig nicht.

*In der Schweiz, Herr Dr. Emminger, herrscht Skepsis. Skepsis über die Dauerhaftigkeit der jüngsten Arrangements, Skepsis über die Angemessenheit insbesondere der neuen DM-Parität, die manche Devisenhändler noch höher*

die Aufrechterhaltung eines wichtigen Prinzips von Bretton Woods, nämlich die Anerkennung, dass die Wechselkurspolitik keine rein nationale Angelegenheit ist, sondern eine Angelegenheit des beiderseitigen Interesses. Drittens hat die US-Regierung klar bekundet, dass sie am Kurs des Dollars ein eigenes Interesse nimmt. Es ist also ein klares Abrücken von der Theorie des *benign neglect*, es ist ein Uebergehen zu der These des *benign interest*.



# Wunder dauern etwas länger

Wolfgang Winter unterhielt sich mit dem deutschen Bundesbank-Vize Otmar Emminger über die Währungslage

Den Schreibtisch droben im 12. Stockwerk des gigantischen Bundesbank-Neubaus der Deutschen Bundesbank, ohnehin der weltweit anerkannte gewiefteste Währungs- am Stadtrand von Frankfurt ziert ein Aschenbecher in Form einer leicht geknitter- politikler der Bundesrepublik, an den jüngsten Arrangements massgeblich- ten Dollarnote. Hausherr Dr. Otmar Emminger (62), Vizepräsident und damit auf- beteiligt und zwischen Einführung des europäischen «Block-Floating», der Wie- dem höchsten Sessel, der einem CDU-Sympathisanten in der heutigen politischen deröffnung der Devisenbörsen und der «nächsten Währungskrise» noch sorg- Konstellation der Bundesrepublik zugänglich ist, schnickt respektlos seine Zigarren- umer auf die bei Notenbankiers übliche Vorsicht der Formulierung bedacht, hat- asche drauf. Nicht nur das: eine Ecke des börslichen Dollars ist abgeschlagen. Der Freude am Gleichnis: «Eine Putzfrau hat den Dollar-Ascher runtergeworfen, als wir — solange Karl Klasen seine Gesundheit pflegen muss — amtierende Präsident noch nicht diesen federnden Teppich hier hatten. Aber den haben wir ja nun . . .»

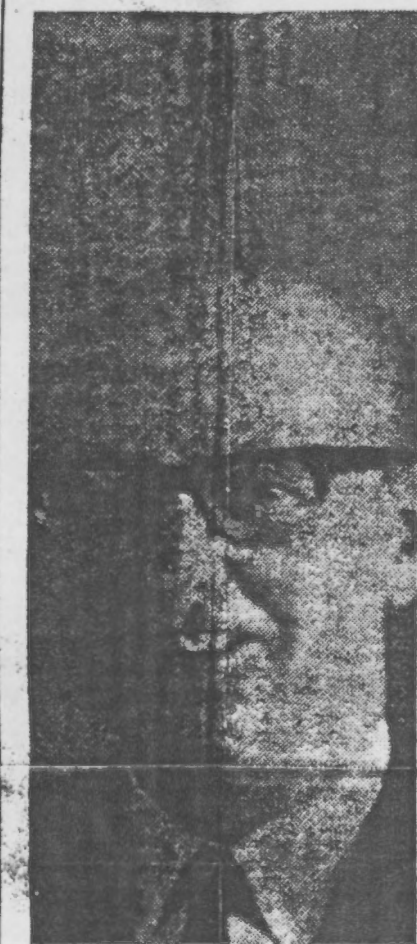
«Weltwoche»: Der in Brüssel und Paris geknüpfte «federnde Teppich» — wird der Ihrer Meinung nach der Welt auf längere Dauer währungspolitische Ruhe schenken?

Dr. Emminger: In solchen Fragen gibt es keine Garantie für ewige Dauer. Aber man kann eines sagen: Das jetzt Erreichte stellt eine gründlichere Lösung dar als alle bisherigen. Nach menschlichem Ermessen und nach dem Urteil aller Experten ist nun die auf längere Sicht richtige Relation zwischen dem Dollar und den anderen wichtigeren Währungen hergestellt. Nach dem Urteil des Geschäftsführenden Direktors des Internationalen Währungsfonds (IWF) ist sogar damit zu rechnen, dass die Dollar-Abwertung gegenüber den Währungen der anderen Industrieländer sich auf die Dauer eher als etwas zu stark als zu gering herausstellen wird. Allerdings kann man das erst nach einigen Jahren mit Sicherheit beurteilen. Jedenfalls entspricht die Paritätenstruktur, die nun zwischen den wichtigsten Währungen erreicht ist, einschließlich der Stellung des japanischen Yen, die durch das Floaten erreicht ist oder noch erreicht werden wird, den ökonomischen Realitäten und verbürgt daher eine gewisse Dauer. Die andere fundamentale Neuerung, die diese Lösung von allen früheren Not- und Aushilfslösungen abhebt, ist die Tatsache, dass nun die wichtigsten Währungen der Industrieländer gegenüber dem Dollar beweglicher geworden sind, d. h., dass hier ein Element

jene Länder, die glauben, dass sie untereinander realistische Paritäten haben und sie auch durchhalten können, versuchen, ihre Wechselkursbeziehungen so zu regeln, dass ein möglichst grosser Teil des Handels auf der Basis stabiler Wechselkurse abgewickelt werden kann. Ich möchte nicht ausschliessen, dass dieses gegenwärtige System der Beweglichkeit gegenüber dem Dollar auch im September zur Zeit der Jahrestagung des IWF in Nairobi noch bestehen könnte und bestehen wird. Aber es handelt sich um ein System der Wechselkursfreigabe gegenüber dem Dollar, nicht um ein System der völligen Beweglichkeit aller Wechselkurse insgesamt.

Aber auch gegen ein solch beschränktes Beweglichkeitssystem müsste der Internationale Währungsfonds Einwendungen erheben. Oder sind dessen Statuten mittlerweile nur noch tote Buchstaben?

Der Internationale Währungsfonds, vielmehr sein Geschäftsführender Direktor, hat schon gewisse Bedenken erhoben gegen die zu weitgehende Anwendung des Floating, weil er befürchtete, dass damit das Paritätensystem überhaupt aufgegeben würde. Wie sich jedoch die Dinge inzwischen entwickelt haben, nämlich, dass in Europa ein Block von Ländern versucht, untereinander stabile Wechselkurse aufrechtzuerhalten, und dass dieser Block insgesamt gegenüber dem Dollar die Wech-



Dr. Otmar Emminger wurde am 2. März 1911 in Augsburg geboren. Nach einem juristischen und volkswirtschaftlichen Studium in Berlin, München, Edinburgh und London, das mit der Promotion zum Dr. oec. publ. und mit dem juristischen Assessor-Examen abgeschlossen wurde, war Dr. Emminger mehrere Jahre Mitarbeiter am Institut für Konjunkturforschung in Berlin.

Zur Deutschen Bundesbank bzw. der früheren Bank deutscher Länder kam Dr. Emminger im Jahr 1950. Drei Jahre später wurde er ins Direktorium der Bank berufen, wo er hauptsächlich für die internationalen Währungsbeziehungen verantwortlich war. Seit 1958 ist er gleichzeitig Mitglied des Zentralbankrats der Deutschen Bundesbank. Mit Wirkung vom 1. Januar 1970 wurde Dr. Emminger zum Vizepräsidenten der Deutschen Bundesbank ernannt, womit er auch stellvertretender Vorsitzender des Zentralbankrats wurde.

Neben seiner Tätigkeit im Direktorium der Bundesbank war Dr. Emminger von 1953 bis 1959 deutscher Exekutivdirektor beim Internationalen Währungsfonds in Washington. Seit 1958 ist er Mitglied und Vizepräsident des Währungsausschusses der EWG.

Im Jahr 1963 wurde Dr. Emminger Mitglied des «Stellvertreter-Ausschusses» der Zehner-Gruppe.

dass dieser wichtige Teil der Währungsreserven auch weiterhin eine Rolle spielen wird. Die andere Frage ist, ob das Gold auch in Zukunft der Wertmassstab des Systems sein wird oder diese Rolle an die SZR abgeben wird. Aber wie ich schon sagte, solange die Sonderziehungsrechte selbst in Gold definiert sind, wäre eine solche Aenderung nur formal und ohne sachliche Bedeutung.

Die dritte Frage ist, ob die bisherige Abstinenz der Notenbanken gegenüber dem freien Goldmarkt aufrechterhalten bleiben soll. Wir haben gesehen, dass bei

**«Die Notenbanken sollten in hochspekulativen Situationen beruhigend am Goldmarkt eingreifen können»**

der letzten grossen Dollarkrise das Hinatfschnellen des Goldpreises am freien Markt auf über 90 \$ je Unze mit zu den Elementen gehört hat, die die Unruhe und die auch die spekulativen Angriffe auf den Dollar verstärkt haben. Daraus ergibt sich die Frage, ob man nicht in solchen spekulativen Überhitzungssituationen mit relativ geringen Interventionen am freien Goldmarkt einmal eingreifen sollte, um für Beruhigung zu sorgen und ein die Spekulation einheizendes Element auszuschalten.

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(Rev. 3-63)

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

MEMO Date 4/10 Time \_\_\_\_\_

To: Mr. Bryant HJ

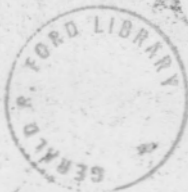
From: Catherine Mallardi

Tel. No. \_\_\_\_\_ Ext. \_\_\_\_\_

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<input type="checkbox"/>	Phone me re attached	<input type="checkbox"/>	For comments and suggestions
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MESSAGE:

Is there anything in this paper  
that the Chairman would be  
~~would be~~ interested in reading?



Please check with  
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BOOKS OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

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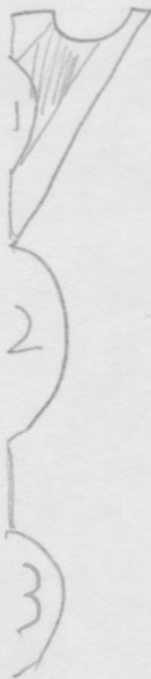
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For case

W. H. ... ..



ITT World Communications

1709 L St. N.W. Washington, D.C. Phone 296-6200

TELEGRAM  
LEASED WIRE SERVICE  
RECEIVED AT WASHINGTON

*Burns*

1973 FEB 8 AM 11 08

440043 FEDR UI

ZCZC AWA774 VIA ITT XYI3844 DP403 ITG201  
UIWA CO DPFF 147 BOARD OF GOVERNORS  
FRANKFURT AM MAIN/TLX 147 8 1340 PAGE 1/50  
FEDERAL RESERVE SYSTEM

FEDRESERVE  
WASHINGTON/DC

ATTENTION MR. DR. BURNS CHAIRMAN , THE CENTRAL BANK  
COUNCIL OF THE DEUTSCHE BUNDESBANK , AT ITS  
MEETING ON FEBRUARY 7 1973 IN THE PRESENCE OF HERR  
FOEHL , STATE SECRETARY AT THE FEDERAL MINISTRY  
OF FINANCE , AND DR. SCHLECHT , STATE SECRETARY AT  
THE FEDERAL MINISTRY

COL 7 1973

DP403 ITG201 FEDRESERVE PAGE 2/450

OF ECONOMICS , TOOK THE FOLLOWING DECISION :  
RECOURSE TO THE REDISCOUNT QUOTAS FIXED  
FOR THE INDIVIDUAL BANKS IS WITH IMMEDIATE  
EFFECT AND UNTIL FURTHER NOTICE PERMITTED ONLY  
UP TO 60 0/0 OF THE TOTAL AMOUNT .  
SHOULD THIS FIGURE ALREADY HAVE BEEN EXCEEDED ,  
NO NEW BILLS OF EXCHANGE

COL60 0/0

DP403 ITG201 FEDRESERVE PAGE 3/47

MAY BE PRESENTED . WITH THIS MEASURE THE  
DEUTSCHE BUNDESBANK IS REDUCING IN STAGES THE  
BANKS ' SCOPE FOR RESORTING TO CENTRAL BANK  
CREDIT BY THE AMOUNT BY WHICH THEY HAVE BECOME  
MORE LIQUID SINCE LAST WEEK THROUGH THE BUNDESBANK ' S  
FOREIGN EXCHANGE PURCHASES  
DR. EMMINGER

*"how favorably degree total  
judgment"*

*- Match  
Jones*



440043 FEDR UI

ITT World Communications Inc.

1709 L St. N.W. Washington, D.C. Phone 296-6200

ITT World Communications Inc.

1709 L St. N.W. Washington, D.C. Phone 296-6200



January 18, 1973

Dear Dr. Emminger:

Thank you very much for your cable informing the Board of the changes in the discount and Lombard rates of the Deutsche Bundesbank. We greatly appreciate being so promptly informed of these moves and the reasons for making them.

Sincerely yours,

Arthur F. Burns

Dr. Otmar Emminger  
Vice President  
Deutsche Bundesbank  
4-6 Taunusanlage  
6 Frankfurt AM Main 1  
Germany

MJK:cmn



DEC 14 1972

The Honorable Dr. Otnar Emminger  
Vice President  
Deutsche Bundesbank  
4-6 Taunusanlage  
6 Frankfurt am Main 1  
Germany

Dear Dr. Emminger:

Thank you for informing us of the latest changes  
in credit policy of the Deutsche Bundesbank. My colleagues  
and I appreciate your taking the time to add the explanatory  
remarks which we find most useful.

Sincerely yours,

(Signed) Arthur F. Burns

Arthur F. Burns

JB:rek  
12/12/72

cc: Mrs. Mallard (2)



Dr. Otmar Emminger  
Vice President  
Deutsche Bundesbank  
Taunusanlage 4-6  
D-6 Frankfurt 1, GERMANY

July 18, 1972

Regret I am scheduled to be in California July 20-21, but  
have scheduled appointment for you with Chairman Burns at  
approximately 4:00 p.m. July 21.

FEDRESERVE  
J. Dewey Deane  
1



NNNN

AAZCZC YW476 GTX548 DP4034TG324

URWA CO DPFF 072

FRANKFURT AM MAIN/TLX 72 14 1828 PAGE 1/ SUSPECTED DUPLICATE

GOVERNOR DEWEY DAANE MEMBER OF THE BOARD OF GOVERNORS FEDERAL  
RESERVE SYSTEM

WASHINGTON, D.C. 20551

DEAR DEWEY , I SHALL BE IN WASHINGTON ON THURSDAY  
AND FRIDAY , JULY TWENTY AND TWENTYONE .  
AS THURSDAY WILL PROBABLY BE TAKEN UP BE TALKS IN THE  
TREASURY I SHOULD LIKE TO PAY A VISIT

*for 15 -  
you will  
be in  
California  
JR*

COL 20551



DP4034TG324 GOVERNOR PAGE 2/

TO THE FEDERAL RESERVE BOARD ON FRIDAY . WILL THERE BE A  
POSSIBILITY OF SEEING PROFESSOR BURNS ? BEST REGARDS

OTMAR EMMINGER

Reply via RCA: call 558-4321

Reply via RCA: call 558-4321



JUN 16 1971

Dear Dr. Emminger:

I appreciate your letter of June 4, in which you provide some facts concerning the speculative outbreak of early May. I am also grateful to have a copy of your most interesting statement before the Munich Conference.

We must continue to exchange thoughts frankly and freely.

With best regards,

Sincerely yours,

Arthur F. Burns

Dr. Otmar Emminger  
Vice President  
Deutsche Bundesbank  
Taunusanlage 4-6  
Frankfurt (Main), Germany

RS:nss  
6/15/71

cc: Mrs. Mallardi



AUG 17 1970

AIR MAIL

Dr. Oskar Emminger  
Vice-President  
Deutsche Bundesbank  
4 - 6 Taunusanlage  
6 Frankfurt am Main 1  
Germany

Dear Dr. Emminger:

Thank you very much for your cable informing us of the Central Bank Council's decisions of August 12 regarding the minimum reserve requirements of German credit institutions and explaining the reasons why these measures were taken. We are, of course, very interested in economic developments in the Federal Republic and appreciate your keeping us closely and promptly informed.

Sincerely yours,

(Signed) Arthur F. Burns

Arthur F. Burns

cc: Mrs. Mallard (2)  
Mr. Rudman  
Miss Noonan

BJR:ren  
8/13/70

