

Report from Bonn by Rainer Apel

Too timid to face reality

The "experts" are censoring the truth about the financial crash, but behind this facade, are many loose bricks.

German media and politicians, as well as most of the banking experts who gave interviews after the Black Monday crash of Oct. 27, tried to calm the waters, saying that things are not so bad, after all; that economic fundamentals are pointing in a positive direction.

Typical was the fact that "N-TV," the news and information television channel, which is the one watched most by yuppie stockbrokers, chose not to interrupt its regular program, when the news from Wall Street came in at 9:30 p.m., German time. Instead, the channel proceeded according to schedule, broadcasting a boring roundtable show on Scientology, and not even the hourly news at 10 p.m. devoted more than a few words to the crash.

Another typical reaction can be reported from the German parliament, where the aide of a senior Social Democratic expert on economics told this author on Oct. 28 that nobody saw an urgent political need to change their schedule, and that debates and initiatives on financial crashes or a New Bretton Woods system were "not on the agenda for the rest of this legislative period, definitely." (This legislative period will last for another 10 months.)

There is, however, a reality behind this facade of "business as usual," and it has been quite interesting to see what people are saying off the record. For example, a parliamentary aide told this author at the peak of the Asian crisis, before the Black Monday crash, that there are many who see systemic risks

in this financial crisis; that there are bankers, analysts, even officials at the United Nations, World Bank, and International Monetary Fund (IMF), who are convinced that the time is more than ripe for a substantial reform of the existing world monetary institutions.

This is not to say that any of these dissidents would call for the abolition of these institutions; but, what they have called for, sufficed to provoke the "higher-ups" to launch an administrative crackdown. For example, a senior official at the United Nations Development Program (UNDP), who has endorsed the Tobin Tax on financial derivatives and is also a supporter of the Asian Monetary Fund (AMF), was told not to talk about that any more in public, "or else." Others at the World Bank and IMF have been similarly muzzled.

This author had the occasion to talk to that UNDP official, and in that background discussion, the official endorsed the AMF initiative as something that is "the trend of the future, anyway," and added that "the time when the IMF or other institutions could be confident of being able to handle affairs for the entire world, is over. The AMF is the right concept for the future, and it will come." Granted, the IMF and World Bank leaders don't like that kind of discussion, but "they will come to realize one day that they simply have to accept it," the official said.

The parliamentary aide added that muzzles would not suppress the debate, because there is a revolt brew-

ing, and people will step forward and say things in public that they are not supposed to say, now. Most people would prefer to keep the respective financial institutions alive, though with changes; but a situation might develop that would call for "new approaches."

Well, would such "new approaches" also work in Germany, whose elites always try to create the impression that, if anything has to change, they would definitely be the last to admit it?

In background discussions with government officials in Bonn, this author learned that, at the peak of the first round of Asian monetary turbulence in July-August, an informal meeting of German government officials took place, brainstorming on monetary and diplomatic initiatives that could assist the Asian states in restoring control over the financial markets. After all, a good part of German exports are dependent on the well-being of the Asian economies, and furthermore, Foreign Minister Klaus Kinkel was scheduled to tour several Asian countries, in the third week of October. Assisting the Asians in the creation of an institution to master the monetary troubles, was an idea that came up in that Bonn meeting. That proposal for an AMF, which Japan has made, is something that "looks quite akin to what we discussed, at that time . . . but we would not do anything that could raise doubts about the authority of the IMF, naturally." Indeed, the Finance Ministry had no problem in suppressing that brainstorming.

Therefore, a political chance was missed for Germany to play a role supporting the planned AMF. And when Kinkel arrived in Thailand for talks on Oct. 20, he found that the entire cabinet had just resigned, over the political and financial disaster caused by discredited pro-IMF policies.