

Robert Wade

The German problem

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“The German problem”

Regarding your argument that Germany’s current-account surplus is damaging the world economy (“Vorsprung durch Angst”, July 8th), we should explore multilateral ways to put pressure on surplus countries to reduce their surpluses, so that not all the adjustment pressure falls on the deficit countries. It is much easier for surplus countries to spend down their surpluses (such as by importing more) than for deficit countries to squeeze the living conditions of their populations sufficiently to cut their deficits without the boost that would come from selling more to the surplus countries.

This is hardly a new idea. The British delegation at the Bretton Woods conference of 1944 proposed an “international clearing union”, in which symmetrical adjustment pressure could be applied (such as interest charges on countries’ surpluses). America, which had a large surplus at the time, rejected it out of hand. The European Payments Union, from 1950 to 1958, put the international clearing-house idea into practice, though without the added function of encouraging surplus countries to cut their surpluses. Today we can draw inspiration from the earlier experience and start to explore a multilateral mechanism for applying more symmetrical pressure on surplus and deficit countries. The idea is not pie-in-the-sky.