

Speech in reply to Karl Otto Pöhl on the occasion of the launch of

The Euro: The Politics of the New Global Currency
Der Euro: Die heimliche Geschichte der neuen Weltwährung
The German Embassy, London, 25 February 2009
David Marsh, London & Oxford Group

I would like to pay heartfelt thanks Karl Otto Pöhl for being here and for what he has had to say. I think that the number of people here tonight testifies to the extraordinary regard in which he is held.

Karl Otto Pöhl has had a remarkable career, indeed, several of them.

Born just a few weeks after the October 1929 stock market crash, he started his working life as a trainee sports reporter, progressed to economic research in Munich, worked in the 1960s in Bonn as a journalist on the forerunner of *Wirtschaftswoche* – and gained a reputation for Keynesianism.

He joined the civil service in 1970. For two decades Pöhl was at the summit of European and transatlantic economic policy-making, until he resigned from the Bundesbank in 1991.

The following year he joined Bankhaus Oppenheim, a young bank formed in 1789, and had a very successful time as the speaker of the board of managing partners.

I would like to dwell on the Middle Period. Pöhl's 11-1/2 years as head of the Bundesbank. Comparatively speaking - not really a very long time.

Montagu Norman was a director of the Bank of England for 37 years, and governor for 24 of them. Hjalmar Schacht, who also started as a journalist, was in charge of the Reichsbank between 1924 and 1939 with a three year break to take time off for a little deflation.

Karl Blessing – Pöhl's predecessor but two – joined the Reichsbank in 1920, became a board member in 1937 and was president of the Bundesbank for 12 years after the war.

Around the same time Marius Holtrop recorded 21 years as president of Nederlandsche Bank.

Alan Greenspan was chairman of the Federal Reserve for 18 years - roughly the same span as Jean-Claude Trichet, when he departs from the ECB in 2011, will have served continuously as a central bank governor.

Ex-Fed chairman Paul Volcker, Karl Otto's old comrade-in-arms, is still at large working for President Obama aged 81, 56 years after he first joined the Federal Reserve Bank of New York.

Yet even when one recalls these personalities, Pöhl's career is unique.

There are several reasons for this: first, Pöhl's skills as a communicator.

With his strong personal charm, Pöhl exerted a mesmeric, almost fatal attraction on two Conservative prime ministers, Margaret Thatcher and John Major, whose political fortunes were closely tied up with European monetary affairs.

On one occasion in 1989 Pöhl invited Margaret Thatcher to lunch at the Bundesbank and she talked so much about EMU that she kept Chancellor Kohl waiting, much to his annoyance.

The following year John Major, as Chancellor of the Exchequer, phoned Pöhl to tell him, with some delight, of the UK decision to join the ERM at DM2.95. Pöhl averred, perhaps not too strongly, that the rate was too high. The rest is history.

The two decades where he was in government economic service were a monumental period for European money, stretching from the break-up of Bretton Woods through to the fall of the Berlin Wall and the unification of Germany.

Aged only 43, Pöhl took over as state secretary at the finance ministry at Christmas 1972 under Helmut Schmidt – just before Britain, Ireland and Denmark joined the E Community.

Pöhl was thrust into prominence when Edward Heath visited Bonn on 1 March 1973, the day of the final break-up of Bretton Woods.

Pöhl, who had been on a skiing holiday in Zermatt, rushed back to Bonn and arrived after Otmar Emminger, deputy president of the Bundesbank, had prevailed upon Willy Brandt to lift the Bundesbank's obligation to take in unlimited quantities of over-valued dollars.

With the Bundesbank's president Karl Klasen and finance minister Helmut Schmidt in hospital, and Emminger on his way back to Frankfurt, Pöhl took a major role in a memorable late night-dinner hosted by Willy Brandt for Heath.

Nicholas Henderson, one of Britain's greatest ambassadors, sadly prevented by ill-health from being here tonight, recorded that Pöhl was "a dashing fellow, not at all over-awed by the occasion or by the absence of his Minister. On the contrary, he seemed to be enjoying himself, to be very relaxed and to have distinctive ideas of his own."

The next day, in another round of political talks with the Germans, Heath asked Pöhl how to control the Eurodollar market. Pöhl replied grandly: "By creating a European Central Bank."

I will not go into all the other episodes - monetary parleying with Denis Healey (who I am very pleased is here tonight) and Jim Callaghan; his role as a go-between with President Giscard d'Estaing; his complex relationships with the three Helmut in his life (Schmidt, Kohl and Schlesinger) and the three Jacques (Delors, de Larosière and Chirac) – to say nothing of the Wims in the form of Duisenberg, and the Jims in the form of Baker.

There is a lot of great material there. Someone should really write a book about all this one day.

Pöhl's political antennae were highly sensitive. They were sharpened by adversity and intrigue. In his first five years as Bundesbank president, after all, the D-Mark was unusually weak against the dollar.

Where his forecasting turned out to be less than wholly successful, I would say he got things wrong for the right reasons. He was often in good company.

He was caught unawares by the rapid pace of German unification - but so was Chancellor Kohl.

He was wrong-footed by Kohl's sudden decision to introduce the D-Mark into East Germany in 1990 - but so was finance minister Waigel.

He was taken aback that the French authorities ended up agreeing with the German stipulation that central banks should be made independent as a condition for monetary union - but so was Jean-Claude Trichet.

Speaking as an amateur historian, I would like more light to be shed on all these matters, including through the release of correspondence related to these topics between Pöhl and the Chancellor Kohl, which has mysteriously been lost but I am sure, with a little help, perhaps from those in this room, can be found.

Pöhl was right in spotting the contradictions in 1990-91 in the plan to launch German and European monetary union simultaneously.

He was right in thinking that Britain should play its part in these monetary arrangements.

The turning point came in May 1991. Given the circumstances and a certain amount of ill-considered behaviour in Bonn – not so much a bull, more an elephant took control of the china-shop - Karl Otto was right to have resigned from the Bundesbank.

It is always a good move to bow out at the high point of your and your institution's reputation.

Of course, Pöhl's departure was also regrettable.

I am convinced, Karl Otto, that history would have been very different if you had been around at the time of the squalls of Black Wednesday.

Britain would not have left the ERM in the dramatic and disagreeable manner that we did.

The British well of the Maastricht treaty would not have been poisoned in the way that it became. Who knows - Britain might have been part of the EMU project by now.

You did depart – but you did not disappear.

You were kind enough to have come to London in October 1992, a month after Black Wednesday, to launch - at the Financial Times - my book on the Bundesbank.

And you have been kind enough to come back now, 16 years later, for the still more splendid occasion of another book launch.

In thanking you, in such distinguished surroundings and in the presence of so many people who have played a big role in your life, including of course your wife Ulrike and your two children Moritz and Rickie, I would like to pay tribute to you, Karl Otto:

as a man who made a great mark and who left a great Mark - which has now been transformed, by some magic, into the Euro.