

The German Currency Union of 1990

A Critical Assessment

Edited by

Stephen F. Frowen

*Honorary Research Fellow
Department of Economics
University College London*

and

Jens Hölscher

*DAAD Senior Fellow
Institute for German Studies
University of Birmingham*



in association with
Anglo-German Foundation
for the Study of Industrial Society



Contents

<i>List of Tables</i>	viii
<i>List of Figures</i>	x
<i>Acknowledgements</i>	xi
<i>Notes on the Contributors</i>	xii
<i>Introduction</i>	xviii
1 The Dimensions of German Economic Unification: Keynote Address <i>Stephen F. Frowen</i>	1
PART I INTERNATIONAL CONSEQUENCES	
2 The D-Mark Exchange Rate Impact <i>Reiner König</i>	13
Comment <i>Charles A. E. Goodhart</i>	34
3 German Currency Union and the Crises in the European Monetary System <i>David Cobham</i>	36
Comment <i>Hajo Riese</i>	59
4 German Monetary Union and its Implications for the Rest of Europe <i>Ray Barrell</i>	63
Comment <i>Anke Jacobsen</i>	84
5 The Investment Diversion Effects of German Unification – Supplementary Comment <i>Geoffrey Pugh</i>	87

PART II MONETARY POLICY AND GOODS MARKETS

- | | | |
|---|--|-----|
| 6 | Options for Resolving the 'Bad-Asset Problem'
<i>Horst Tomann</i> | 101 |
| | Comment
<i>David Homer</i> | 116 |
| 7 | Incentives for Growth and Development
<i>Eric Owen Smith</i> | 119 |
| | Comment
<i>Laurence Copeland</i> | 137 |
| 8 | German Economic, Monetary and Social Union
and the Theory of Institutional Change
<i>Uwe Mummert</i> | 140 |
| 9 | The Privatisation of the East German Economy
and the Role of the Treuhandanstalt
<i>Claus Köhler</i> | 151 |
| | Comment
<i>Jens Hölscher</i> | 169 |

PART III THE ROLE OF MONETARY POLICY RECONSIDERED

- | | | |
|----|---|-----|
| 10 | The German Currency Union: Challenges
for Both Parts of Germany
<i>Norbert Kloten</i> | 177 |
| | Comment
<i>Sheila Dow</i> | 200 |
| 11 | The German Currency Union of 1990 – A Critical
Assessment: The Impact on German Monetary Policy
<i>Peter Bofinger</i> | 203 |
| | Comment
<i>George McKenzie</i> | 222 |
| 12 | Monetary Reform and Monetary Union:
A Comparison between 1948 and 1990
<i>Silke Tober</i> | 227 |
| | Comment
<i>Victoria Chick</i> | 246 |

Contents

vii

Comment

Jürgen Jerger

251

Name Index

Subject Index

257

260