

# CURRENCIES, NATIONAL IMAGES AND NATIONAL IDENTITIES: PUBLIC RELATIONS FOR AND AGAINST CURRENCIES – HISTORICAL EXPERIENCES FROM GERMANY, THE CASE OF THE EURO AND THE ROLE OF RATING AGENCIES

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**ABSTRACT** *My thesis is that, in the “age of markets” in Europe the Euro is of central importance for creating (or destroying already established) structures of European identity (at least in parts of Europe – with Great Britain taking a very remote position). I emphasize the theoretical aspects (Aftalion’s Psychological Theory of Exchange Rates; Simmel: Philosophie des Geldes) to emphasize the importance of PR. I concentrate on historical cases – mainly German experiences – e.g. the campaign against the Rubel; the ideas of Ivy Lee; the PR-campaigns of the Nazi-government to fight inflation. The introduction of the German Mark (“die Deutsche Mark”), which became a central aspect of German national identity, and the campaign to give up this currency (“harte Währung”) in order to introduce the “weak” Euro. In this context I discuss campaigns against the Euro (“only idiots want the Euro”). In the final remarks I refer to the role of rating agencies and trust in currencies and countries. It is my thesis that the analysts of the rating agencies live in a “world of literary images” and are acting in a completely irresponsible way (but even more incompetent are the politicians accepting the ratings without knowing anything about the problem of commensuration).*

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## KEY WORDS

EURO, CURRENCIES, NATIONAL IDENTITY, PUBLIC RELATIONS, RATING AGENCIES

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## INTRODUCTION

After the breakdown of communism the new dominant ideology was the capitalist, free market economy. John Lie stated in *The Sociology of Markets*: "We live in the age of markets. The category of market dominates everyday discourse and political reality."<sup>1</sup> (1997: 341) The *World Development Report* 1996 was subtitled: "From plan to market." Market means "free market" with prices (terms of exchange) built by agreements between buyers and sellers acting voluntarily. The allocation of capital and consumer goods/services are left to private control. Market laws governing financial markets in this frame of reference are often regarded as laws of nature. But, economic activities are human activities with high components of irrationality. James Tobin commented in 1980 on the idea of the self-regulating forces of free markets:

*The view that the market system possesses [...] strong self-adjusting mechanisms that assure the stability of its full employment equilibrium is supported neither by theory nor by capitalism's long history of economic fluctuations. [...] That (government policies; M.K.) are the only source of shocks to an intrinsically stable mechanism is a proposition that could be seriously advanced only by persons with extravagant faith in their own abstract models and with historical amnesia* (1980: 48).

The free play of supply and demand is only taking place in the books of adherents of the theory of free market behavior but not in reality (cf. Galbraith, 1967).

## CURRENCY AND NATIONAL IDENTITY

My starting point for the following argument is the assumption that since the end of World War II, the Deutsche Mark has been a central aspect of German national identity. That is it has been central to the German auto-stereotype, the image Germans have of themselves. The term image, which became popular in the 1950s, is used to describe the aura of a person in public life, a party, a product, a nation, a people, and so forth. Image is a vague concept with sometimes very concrete consequences; this applies even to "wrong" images. William I. Thomas and Dorothy S. Thomas brought it to the point: "If men define situations as real they are real in their consequences." (1928: 572) Whilst images have an active component by contrast, prejudices and/or stereotypes are created by the environment and ascribed.<sup>2</sup> National identity is defined as what is believed by the (majority of the) people about their own nation. This suffices as a summary of auto-stereotypes. In this context ethnocentrism (Sumner, 1906) becomes relevant – people tend to use their own values, customs, and norms as the yardstick for evaluating other cultures.

<sup>1</sup> The idea is by no means new. Karl Marx and Friedrich Engels wrote in 1847/48 in the *Manifesto of the Communist Party*: "Modern industry has established the world market. [...] This market has given an immense development to commerce, to navigation, to communication by land. This development has in its turn, reacted on the extension of industry [...]" (1848: 44). According to Marx and Engels the bourgeoisie "[...] resolved personal worth into exchange value, and in place of the numberless indefeasible chartered freedoms, has set up that single, unconscionable freedom - Free Trade." (1848: 45). Marx and Engels describe the consequences of globalization: "In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal inter-dependence of nations." (1848: 46)

<sup>2</sup> Such social prejudices can be defined as expressed convictions of a particular group (or its members) about an alien group (or individuals because of actual or assumed membership of the alien group) without consideration of their correctness.

An image is something which can be created and cultivated by its possessor, that is, something that can be actively influenced by PR activities. In this sense, in the following discussion image always contains an active component. But images of nations, at least partly, can be understood as hardened prejudices. These are images that have mostly grown through long historical processes. Image means not only the conception of the image at present, but also aspects of its past and future expectations.<sup>3</sup> National image can be defined as the cognitive representation that a person holds of a given country, what a person believes to be true about a nation and its people.<sup>4</sup> The problem of what is reality or fiction in our perceptions of other nations usually plays no large part in our daily lives. One behaves as if one's perception were "true".

Kenneth Boulding localized an image sphere, which he called *world of literary images*. In this world the test of reality, i.e. the elimination of errors, is not quite well developed. It is in this world full of stereotypes in which international decision makers in politics and economics and rating agencies<sup>5</sup> (whose sources are dominated by publicly available mass mediated information) mainly move (Larrain et al., 1997). In fact, decision makers sometimes are aware that they are living in a world of images or stereotypes. As the famous French statesman Talleyrand<sup>6</sup> pointed out, in politics what is believed to be true is more important than truth itself. Ronald Reagan brought it to the point: "Facts are stupid things" (TIME, August 29, 1988: 52).<sup>7</sup> Boulding wrote:

*On the whole the images of the international system in the minds of its decision makers are derived by a process that I have described as 'literary'- a melange of narrative history, memories of past events, stories and conversations, etc., plus an enormous amount of usually ill-digested and carelessly collected current information. (1967: 9)*

The fact has to be accepted that the people (raters included) whose decisions determine the policies and economic actions of nations do not respond to the objective facts of the situation, whatever that may mean, but to their definition of the situation, which is strongly influenced by images. It is what we think the world is like, not what it is really like, that determines our behavior.

Concerning the role of stereotypes on perception, the German philosopher Johann Gottfried Herder already argued in 1787: *Wir sehen nicht, sondern wir erschaffen uns Bilder* (We don't see, we create imaginations). This became the standard argument concerning the construction of images and national identities (self-images) which normally also don't reflect reality. Walter Lippmann in *Public Opinion* wrote: "For the most part we do not first see, and then define, we define first and then see" (1922: 81). In the literature, the

<sup>3</sup> Boulding defined image as "total cognitive, affective, and evaluative structure of the behavior unit, or its internal view of itself and the universe" (1969: 423).

<sup>4</sup> The problem of what is reality or fiction in our images of other nations usually plays for most of us no large part in our daily lives. One behaves as if one's perception of the world were "true".

<sup>5</sup> See below.

<sup>6</sup> Charles Maurice Talleyrand-Périgord (1754-1838), diplomat, Foreign Minister and first Prime Minister of France, also said that the best way to hide the truth in politics is to say the truth – because nobody will believe.

<sup>7</sup> Dorothy L. Sayers writes in *Clouds of Witnesses*: "My lord, facts are like cows. If you look them in the face hard enough, they generally run away." (1926: 170) Mark Twain writes in *The Adventures of Huckleberry Finn* (Chap. 1): "There were things which he stretched, but mainly he told the truth."

hypothesis that from the wealth of events and information available, those conforming to already existing images are selected, dominated for a long time. But, a study by Wolfgang Donsbach (1991) on the selective perception of newspaper readers clearly confirmed that the selection rule applies only when positive information is offered; when negative information is offered, both supporters and opponents of a certain position behave almost the same: they heed it. The protective shield of selective perception works against information that might result in a positive change of opinion, but not against information that might produce a negative change of opinion.<sup>8</sup> This can be very important and of practical relevance (cf. Bismarck and the Russian rouble; see below) regarding the image of a currency on the monetary market. Negative information (or information interpreted to be negative) can strongly influence exchange rates if accepted in the world of finance and business.

## PUBLIC RELATIONS FOR CURRENCIES

The main objective of PR is to establish (or maintain existing) positive images of one's own nation<sup>9</sup> (or one's legal tender) in order to appear trustworthy to other actors in the world system or to its own citizens.<sup>10</sup> Mass media reporting of foreign affairs and of fiscal policy often governs what kind of image of a nation state predominates in national and international monetary policy.<sup>11</sup>

Trust is no abstract concept. In the field of international monetary policy, trust is an important factor in mobilizing resources, such as receiving political and/or material support from other nations. If other actors in the world system place their trust in a nation (or a currency) and her future because of her reliability, then trust becomes the equivalent of money.<sup>12</sup> *Geldillusion* (money illusion) is the belief that money will remain stable and valid in the course of events. The belief of the citizens in the quality of their legal tender completely depends on the loyalty to the respective nation state (Schmolders, 1966: 151)

<sup>8</sup> Winston Churchill was right when he said: "To build may have to be the slow and laboring task of years. To destroy can be the thoughtless act of a single day." (Howard, 1986/87)

<sup>9</sup> Sometimes some countries are interested in having a negative image in certain target groups; e.g. in 1991 Austria's Home Secretary, Franz Löschnak, published an advertisement in the Romanian newspaper Romania Libera. Romanians wanting to emigrate to Austria were warned against trying to enter Austria. The last sentence of the advertisement was: "You don't have the slightest chance".

<sup>10</sup> The following discussion focuses on persuasive communicative acts aiming at establishing (or undermining) trust in a currency. Trying to distinguish among PR and propaganda in this context is - following the tradition of Bernays (1923: 212) - regarded as a semantic game. Bernays writes: "The only difference between 'propaganda' and 'education', really, is the point of view. The advocacy of what we believe in is education. The advocacy of what we don't believe in is propaganda". (1923: 212)

<sup>11</sup> Although actual developments will not be discussed here I want to emphasize that in connection with the Euro crisis in Germany Greece has developed a very bad image (this thesis is not based on results of a systematic content analysis but my subjective impression based interpreting leading German mass media). Greece, a country which without doubt manipulated statistics (with the help of *Goldman Sachs*; Vice President Europe between 2002 and 2005 has been Mario Draghi - now [2012] president of *The European Central Bank*) in order to get access to the Euro zone, momentarily is seen as follows: Greeks, who without having any reason but their own frustration are attacking Germans as being Nazis, are seen as corrupt, lazy, incompetent and greedy people who don't want to work and don't pay taxes but demand more money. By this behavior they are supposed to threaten the Euro and European (esp. German) wealth. Greeks are accused of spending money they have not yet earned - the main cause of inflation. It is well known in Germany that inflation begins by spending more than one earns by working (Greece being the example momentarily most often cited). Whilst preparing the paper in December 2012 Croatia was downgraded to junk by Standard & Poor's.

<sup>12</sup> Money is defined as a generally accepted medium of exchange; i.e. services and goods are exchanged against money, which not only can serve as unit of account and medium of exchange, but also allows the storage of wealth - as long as there is no inflation.

or political unit, like in the case of the Euro (here the question is whom should be trusted: the bureaucrats in Brussels?). The positive image of a currency reflects confidence in economic future. To put it simply: trust is money and money is trust. International business and currency exchange rates are – as will be demonstrated - not determined simply by pure economic facts (like currency reserves and gold reserves, deficit or surplus in balance of trade or balance of payment).<sup>13</sup> The image of a nation-state (or a political/economical system/unit having a separate legal tender like the Euro), the solvency rating of her business, the credibility of her politicians and their reliability to tame inflation by tight fiscal and monetary policies are some factors of decisive importance. Indeed, a country's reputation for solvency is more important to the stability of her currency than short-term economic fluctuations.<sup>14</sup>

Various countries have attempted to gain trust for their legal tender in the international community by means of PR or advertising. The aim was to change public perceptions and the perceptions' of relevant target groups (e.g. bankers, politicians etc.) from skepticism to trust and acceptance.<sup>15</sup> PR for currencies is issue-oriented. The ultimate goal is to create the impression that the currency could be trusted in. To give two examples: in July 1994 *Banco do Brasil* advertised in the leading German daily *Frankfurter Allgemeine Zeitung* that Brazil now had a new and stable currency: the Real. This monetary reform was called the most decisive turning point in the history of Brazil's economy, an unparalleled enterprise. Brazil now offered investors more opportunities than ever before. It urged investors to have confidence in the new currency of a country, which in former times was plagued by inflation.<sup>16</sup> Estonia published in *Time* (July 4, 1994) an advertisement: "ESTONIA: Rebirth of a Nation." The main point was that Estonia had developed into a stable democracy with a strong currency: the Kroon, with its exchange rate linked to the German Mark.

## THEORETICAL EXPLANATIONS OF THE PSYCHOLOGY OF MONEY

In 1926 the French economist Albert Aftalion published his *Psychological Theory of Exchange Rates* based on the hypothesis, that the exchange rate of a country's currency is determined mainly by trust in the future of that country. A deficit of the balance of payments will not cause a devaluation of the currency as long as the belief in the future of this currency can attract foreign capital and balance the deficit. Aftalion argued that there are far more qualitative than quantitative elements in the determination of currency exchange rates. The determination of the value of a foreign currency is mainly a psychological process whereby public opinion is very influential. There is one main reason for

<sup>13</sup> In the situation of globalization, many nations compete in the economic sector. The export of goods very often is depending on the *country of origin effect*; with the *Made in Germany* having an excellent image worldwide. Globalization also implies that nations compete for international investors - they try to attract international capital, with the flow of capital depending on the image of the respective legal tender.

<sup>14</sup> In the present situation (2012) surveys show that in Germany and in many other European countries the trust in the Euro is coming down. People don't understand the alleged advances of the Euro; esp. in Germany the enormous amount of money created which according to politicians will not cause inflation – a very daring hypothesis – is in the focus of discussion.

<sup>15</sup> This resembles the goal of so called advocacy ads; cf. Sethi, 1977.

<sup>16</sup> Malaysia published in *TIME* (August 1994) an advertisement which explained the success of the country's capital market by the strength of the economy, political stability, and the good results shown by Malaysian companies. Anxiety about inflation had largely eased behind an effort to curb excess liquidity and currency speculation. The Finance Minister emphasized that the government is determined to broaden and deepen the capital market as a reliable source of long-term capital.

the use of a certain currency as key currency: trust in the respective country. Monetary policy is at least partially a policy of image. Money can be characterized as an illusion,<sup>17</sup> nothing more than the trust people have in their respective currency. If there is no trust in a currency, capital will flee. The collapse of the United States dollar in March 1995 and the rush to the Deutsche Mark and the Japanese Yen taking place in those days at least partly reflected a loss of trust in the world's major reserve currency.<sup>18</sup> The current crisis (2012) of the Euro suffers from the same causes: international investors do not have trust in the future of this currency.

George Soros, the super-speculator, who in 1992 brought down the British Pound<sup>19</sup>, argues like Aftalion and emphasizes that on international financial capital markets unknown quantities which are decisively influenced by future expectations are traded.<sup>20</sup> That is, the future is not only unknown but also decisively influenced by the future expectations dominating the financial markets. What happens in today's markets, influences the future that markets try to include in their calculations. Instead of doing so through the means modeling a market's equilibrium, financial markets should be analyzed by means of a model of reflexivity. In any case future expectations are a central element of the images of currencies and strongly influence the international flow of capital.

German sociologist Georg Simmel in his *Philosophie des Geldes (Philosophy of Money)* pointed out that money is responsible for the calculating character of modern times.<sup>21</sup> Money is the tool to measure the relativity of values. Money allows us to measure and compare different qualities (commensuration), enabling us to compare on a rational basis. Simmel (1922: 165) emphasized that the feeling of personal security associated with the ownership of money is nothing else but the most concentrated form of trust in a state: the conviction that the medium of exchange will keep its value. Trust in the future of a social system. Simmel argued that the belief in stable money must be domineering. No doubts should exist or develop concerning the loss of value of the money in the future. He refers to coins from Malta saying *non aes sed fides*. Max Weber (1956: 11) too pointed out, that money is an object of value in exchange accepted because one believes that in the unknown future, others will accept it as a medium of exchange. Confidence is the decisive element of monetary policy and confidence depends on having visions of a bright future, that is, a positive image. According to this hypothesis a loss of trust in a legal tender will cause a loss of trust in the emitter of the currency. To put paper that will be trusted into circulation will be more and more difficult.

<sup>17</sup> The German economist Günter Schmolders coined the conception of the "goldillusion of the people" (1966: 216), which was responsible for gold being accepted for so long a time to be the main means of payment.

<sup>18</sup> A German banker, Ulrich Beckmann, explained the 1995 rush to the mark: "It's not the D mark's strength. It's the weakness of all other currencies. [...] People find the Mexican or the Canadian or the Spanish situation so confusing that, psychologically, they feel more comfortable in the D mark" (TIME, March 20, 1995: 26).

<sup>19</sup> Soros, who attacked the Bank of England, speculated on a falling Sterling value, keeping his rate despite support buying by the Bank of England and with that earning a billion dollars in a very short time and at the end of the day pushing the United Kingdom out of the European Monetary System.

<sup>20</sup> Interview in Der Spiegel, 51, 1998: 101.

<sup>21</sup> The discussion of the sociology of money still is in a not such a good state. E.g. Lisa A. Keister argues in *Annual Review of Sociology (Financial Markets, Money and Banking: "Among the early sociologists, Simmel [...] was perhaps most concerned with money itself, and his work influenced both Marx and Weber [...]" (2002: 40). The question still to be solved is, in which way Simmel (1858-1918) could have influenced Marx (1818-1883)? Simmel's Philosophie des Geldes was published first in 1900.*

A lack of confidence largely reflects responses to an ineffective or unacceptable monetary policy (mostly a lack of credible long-term strategies is the main cause of such a development). People become alienated from their legal tender. It is possible that negative feedback loops then amplify negative developments. For example, the negative ratings of certain European countries resulted in fears that one or more countries could leave or have to leave the currency area, thus driving up borrowing costs. The result is higher borrowing costs make it more difficult to bring debts under control, resulting in even a stronger mistrust.

In the tradition of Aftalion and Simmel argues Joseph A. Schumpeter. In *Das Wesen des Geldes* (The essence of money) Schumpeter (1970: 1) accentuates that monetary policy is image policy. The state of the monetary system is symptomatic for the situation of a people. (*Der Zustand des Geldwesens eines Volkes ist ein Symptom aller seiner Zustände [...].*) Schumpeter points out that a multitude of factors can influence the value of a currency: a victorious war or a defeat, revolutions, successes or failures in foreign policy, factors relating to home affairs. Every policy (e.g. regarding interest rates), every political decision, every event (e.g. a technological catastrophe like Fukushima; a revolution, etc.) has the potential to affect financial markets (*„Jede Art von Politik kann so zur Währungspolitik werden, jede Art von Ereignis zum währungspolitischen Ereignis.“*). Schumpeter (1970: 2) assumes that the value (exchange rate) of a currency reflects the character of a people. Trust in the future of a currency is reflected in its exchange rates. If a certain pecuniary system has acquired the reputation of being reliable this is more important for the stability of its currency than short-term fluctuations of economy.

Ivy Ledbetter Lee, in the 1920s, was the first PR-counselor to be aware of the importance of trust for currencies when he argued: “Those who handle a loan must create an atmosphere [...]” (Hiebert, 1966: 266). Lee knew that simple statistics were not enough to market a loan. Lee handled loans for Poland, Romania, France, and other countries. He considered, for example, Hungary a difficult case because too many people “had a mental picture of the Hungarian people as a wild, Bohemian lot, instead of the agricultural, sane, and highly cultivated people that they really are” (Hiebert, 1966: 267). His advice to Hungary was to create the image that their country was stable and civilized. Argentina already in those days had problems attracting investors because of its image of social instability. The advice was to send a polo team to the United States to compete with American teams, arguing, “The galloping gentleman would tell the story more convincingly than any amount of statistics or mere statements as to the true conditions” (Hiebert, 1966: 267).

## SOVEREIGN RATING BY RATING AGENCIES

Credit rating agencies like Moody's or Standard & Poor's (I concentrate on these two as that are considered the most important rating agencies) evaluate financial claims according to their creditworthiness, whereby the agencies not only rate long-term sovereign bonds but also a variety of other instruments. Ratings concern the creditworthiness of an obligator (S&P, 1997: 2) and provide an indication of the relative risk that a debt issuer will have the

ability and willingness to make full and timely payments in the future. The agencies rate corporations and sovereigns. Sovereign credit ratings<sup>22</sup> are the risk assessments assigned to the obligations of central governments.<sup>23</sup> In domestic capital markets agencies have long since rated the creditworthiness of borrowers but international credit markets ratings were generally not publicly available until the late 1970s (Lee, 1993: 349).<sup>24</sup>

The key factor for sovereign rating is the assumed stability of a country. Of special importance here is the economic competence and honesty imputed to other nations in the images, as well as the historical component of the image. Prophecies (feelings) about a country's future are very important, too. Sovereign risks consist of three different risks; namely economical, political and social risks – with the “transfer risk”<sup>25</sup> being of special importance.<sup>26</sup>

Ratings are also strongly influenced by another image aspect: If a rating is more positive than “reality”, that is, if negative developments are not predicted, the reputation of an agency is especially endangered because trust in ratings implies financial losses. As a consequence negative ratings predominate. These ratings exert a significant influence on the liability position of a nation and on the quality of life of the people: The higher the ratings, the lower the interest rate associated with the bonds offered. Rating, therefore, affects real costs of ongoing social and economic processes of a sovereign issuer.<sup>27</sup> Ethnocentrism can be diagnosed in the ratings of nations and currencies by the rating agencies.<sup>28</sup> The Market economy of the American kind is their point of reference to evaluate other countries and economies (Kunczik, 2002).

Sovereign rating is the classification of nations according to their assumed solvency. The ratings are ordinal scales, i.e. there is (assumed to be) a more or less clear differentiation between different countries, but the distances are not quantified. The main boundary

<sup>22</sup> Moody's defines sovereign rating as a “measure of the ability and willingness of the country's central bank to make available foreign currency to service debt, including that of the central government itself.” (1991: 157).

<sup>23</sup> Eaton et al. (1986) emphasize that traditional concepts of solvency and liquidity are of little help in understanding problems of sovereign debt. Creditors do not have the means to seize the assets of a borrower in default. Hence the borrower's net worth is irrelevant in determining the amount that can be recovered. The authors discuss three problems in international lending; i.e. enforcement (domestic debt are legal obligations enforceable in court whilst international debt repayment is largely voluntary), moral hazard (problems of moral hazard arise because it is difficult for the lender to monitor actions of the borrower to ensure that they do not affect adversely the prospects for debt service) and adverse selection (the difficulty of ascertaining the characteristics of a borrower relevant to designing a repayment schedule and judging whether a borrower will adhere to it).

<sup>24</sup> Commercial credit rating is dominated by two American agencies: Standard & Poor's (S&P) and Moody's. S&P's history (founded by Henry Varnum Poor) can be traced back to 1860. In 1941 the Standard & Poor's Corporation was established which since 1966 belongs to McGraw-Hill. The two companies that merged to Standard & Poor's started their rating operations in 1916 and 1922. Moody's Investors Service was founded in 1914 (John Moody & Company in 1900).

<sup>25</sup> Transfer risk is the probability that a borrower facing the obligation to make a payment in foreign currency might not be able to convert his own domestic-currency cash flow into the required foreign exchange in a timely fashion (Moody's, 1991: 158).

<sup>26</sup> A list of sovereign defaults since 1970 is given by Cantor and Packer 1995, 3. S&P's predecessors (Standard Statistical Company and Poor's Publishing Company) began rating sovereigns in the 1920s with those early evaluations based solely on publicly available information (IMF, 1999: 195). Moody's has been rating bonds issued by governments since 1919 and by 1929 Moody's was rating bonds issued by about fifty governments (Cantor and Packer, 1995: 2). Cantor and Packer (1995: 2) emphasize that sovereign lending has historically been a risky business; roughly 70 percent of all sovereign debt (excluding Canadian debt) issued in the U.S. between 1926 and 1929 defaulted before the end of 1937.

<sup>27</sup> Many institutional investors are restricted (legally or by internal policy) as to the type of debt they can hold; that is, the debt must have a minimum rating. Thus the success of an offering is often determined by the rating granted the debt issue.

<sup>28</sup> Vivien Beattie and Susan Searle (1992) found out that ratings seem to be biased in favor of issuers coming from the same country where the agency is located.

between the different notches (a rating notch is for example the gap between a Baa1 and a Baa2 rating) is the one between investment grade and non-investment grade<sup>29</sup> (lowest investment grade; long-term: Moody's Baa3<sup>30</sup>; Standard & Poor's BBB<sup>31</sup>).

## COMMENSURATION

Money is based on commensuration. Already, Aristotle (1963: 259) knew that exchange requires commensuration, i.e. "the transformation of different qualities into a common metric" (Espeland and Stevens, 1998: 314). Disparate information which is difficult to compare because it is located on different dimensions is transformed into one single metric. Even future events and commodities are included into economic commensuration processes. Commensuration also means the creation of commodities never existing and called *uniform categories of produce* (traded at the *Chicago Board of Trade* since the 19<sup>th</sup> century). Theodore M. Porter writes: "[...] wheat could be bought and sold on the Chicago Exchange by traders who had never seen it and never would – who couldn't distinguish wheat from oats. They could even buy and sell futures, commodities that didn't yet exist" (1995: 48).

The main problem with currencies is, their relative value (exchange rate) not only implies more or less "objective" economic data (e.g. depreciation of currency, i.e. inflation, gross national product, economic growth rate, balance of growth, exchange rate, balance of payment etc.) but to underline again the image-aspects, especially trust in the future of a certain country. This trust is judged on quite a subjective basis (also by the rating agencies who try to create the impression that they are not subjective in their ratings but "objective" – a complete illusion; Kunczik, 2002). Rating is commensuration, i.e. the reduction of different qualities into a common metric (a rating). Qualities (e.g. evaluation of future monetary and fiscal policy; expectations about the probability of a civil war; anticipations of the political stability of a certain country; the supposed efficiency of the political elite etc.) are transformed into simple quantities; in the case of the agencies by rule of thumb, by guesswork and by God.

If one thing is for sure, all attempts to estimate risks, i.e. to predict the future,<sup>32</sup> by means of social science in an "objective" way up to now have failed<sup>33</sup> (and will fail in the future) with *Project Camelot*<sup>34</sup> ( cf. Kunczik, 1990: 197) being the most famous attempt. It

<sup>29</sup> Cantor and Packer (1994: 6) discuss the traditional use of ratings for distinguishing investment grade from speculative securities. The authors stress that in 1931 the Office of the Comptroller of the Currency ruled that bank holdings of publicly rated bonds had to be rated BBB or better by at least one rating agency if they were to be carried at book value; otherwise they had to be written down to market value and 50 percent of the resulting book losses were to be charged against capital.

<sup>30</sup> Issuers rated Baa offer according to Moody's evaluation adequate financial security. However, certain protective elements may be lacking or may be unreliable over any great period of time (IMF, 1999: 190).

<sup>31</sup> An obligator rated BBB has, according to Standard & Poor's, adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligator to meet its financial commitments (IMF, 1999: 190).

<sup>32</sup> For a discussion of the relationship between sociology and social forecasting see Henshel, 1982.

<sup>33</sup> The most famous example is the horror-scenario published by the *Club of Rome* concerning the (non-)future of the world due to environmental destructions.

<sup>34</sup> One of the leading personnel of the project said it was named after King Arthur's mythical domain because it connotes the right sort of things – development of a stable society with peace and justice for all.

was thought up in late 1963 by a group of high-ranking officers of the U.S. Army. The aim was to develop research methods in order to be able to predict (and, more importantly, influence) politically significant aspects of processes of social change in developing countries. The objective was to make measurable, and if possible predictable, the causes of revolutions and social upheavals. *Project Camelot* was financed by the U.S. Army and was to have been allocated up to six million dollars for a period of at most four years. In army documents the project was characterized as a "basic social science research project on preconditions of internal conflict, and on effects of indigenous government actions – easing, exacerbating or revolving on – those preconditions." The result was a complete failure from a practical point of view. The future could not be predicted and insurgency prophylaxis was impossible. Today the rating agencies try to establish the myth to be able to predict the future, although already the Mexican crisis 1994/95 demonstrated rating agencies' inability to anticipate serious economic crises. The agencies also failed to predict the Asian financial meltdown of 1997/8 Guillermo Larrain, Helmut Reisen and Julia von Maltzan write: "While the December 20 devaluation of the peso rocked the world financial markets, until December 22 Standard and Poor's had Mexico's sovereign debt only one step below an investment grade rating with a 'positive outlook.'" (1997: 7)

Without calling into question the quality of their ratings, agencies give hints for a prophylaxis against wrong investments. In order to "sell" the rating industry, whose primary interest is making profits, tries to create the impression that their categorization of countries is reliable and trustworthy – without doubt an image (illusion) not really reflecting reality (Kunczik, 2002).<sup>35</sup> The incorrect negative rating of a currency due to the image of a certain country (which is e.g. downgraded) can stimulate processes of a self fulfilling prophecy: currencies with a bad rating are not bought at "fair" prices with this being interpreted as an indication of a crisis. This image of crisis or economic unreliability can then modify economic decision-making processes and discourage investments. This in turn can create or exacerbate future crises.

Money implies one big problem. Physical properties like length, weight, volume etc. can be compared relatively easily because they remain constant over time. The objective determination of the value of money is more difficult: it is a social process. Units can be determined relatively easily, but the units of money do not remain constant over time; due to inflation or deflation the value is changing. A German Mark or an U.S. dollar in 1914 is quite different from today's Euro or Dollar. To emphasize again: money is not only a unit of calculation; (modern) currencies are also traded as commodities.

<sup>35</sup> The agencies might be more or less correct concerning the 'objective economic risks. Economic risks will not be discussed here. Economic factors used in sovereign rating analysis by S&P include: income and economic structure; economic growth prospects; fiscal flexibility; public debt burden; price stability; balance of payments flexibility; external debt and liquidity; cf. IMF (1999, Annex V: 111).

## PR AND CURRENCIES: EXAMPLES FROM GERMAN HISTORY

### Fighting against the Russian Ruble, experiencing hyperinflation, and the Nazi PR for the Reichsmark

In 1887 the relations between Germany and Russia worsened dramatically due to the embitterment of French-Russian relations in spite of the *Rückversicherungs-Vertrag* of June 1887 between Russia and Germany (*Reinsurance Treaty*). In case of an agreement between Russia and France, the German military feared to become the victim of an encircling policy. Reacting to this potential danger and in order to demonstrate strength Bismarck wanted to close the German capital market for Russia. Russia, requiring new capital, would have no chance to obtain money by selling bonds. The chancellor started a campaign to undermine the trust in the Russian ruble. As far as I know this is the first attempt to destroy the solvency of a foreign currency by means of a PR campaign.<sup>36</sup> Bismarck forbid the Reichsbank to give credit on Russian bonds and started a campaign in the press stigmatizing the financial and economic situation in Russia as being extremely negative. The capital market indeed was influenced, but the press (e.g. the *Börsen-Courier*) could not be steered completely. As a consequence Bismarck intensified the campaign (Müller-Link, 1977: 325ff). The banker Carl Fürstenberg (1931: 246) reports that at the beginning of 1888 due to the campaign Russia obtained a negative image (his euphemism was: *eine recht unfreundliche Stimmung*). The consequence was that a Russian loan could only be placed in Paris with heavy losses. Bismarck already practiced what Lee later emphasized: Those who handle a loan must create an atmosphere. Bismarck took care that the ruble did not possess the adequate atmosphere.

After having lost World War I, Germany experienced another trauma shaping its national identity into the present day: hyperinflation. The Germans, accustomed to a stable currency (gold standard)<sup>37</sup> experienced a government that printed money without limits (in November 1923 1\$ U.S. was 4.2 billion German "papermark"). Whilst currencies based on gold could not be "inflated" at will<sup>38</sup> paper money can just be printed by the state. There exists then, a high temptation for politicians to use the printing press in order to increase the supply of money. The Germans experienced what Adam Smith had already underscored in *The Wealth of Nations*: "There is no art which one government sooner learns [...] than that of draining money from the pockets of the people" (1776: 861).

Inflation was seen as a disease whose cause was the lack of monetary control. This disease destroyed business and social life. Nearly everybody faced financial ruin. Legal tender could no longer be used for the accumulation and storage of wealth and stored wealth was destroyed by devaluation. Amid this period of hyperinflation the prices rose so rapidly, that one did not know how much money was necessary to get certain goods and/or services. Money received as salary at the evening of one day had dramatically lost value over night by the next morning. Since those days when the price of one loaf of bread

<sup>36</sup> PR by government had in Germany esp. in Prussia a very long tradition going back to the 17th century; cf. Kunczik (1997a).

<sup>37</sup> The Reichsmark of the Kaiserreich was as good as gold, i.e. the paper money was backed by gold and could be converted into gold. After World War I the gold standard had been abandoned.

<sup>38</sup> But in the 16th century due to the influx of gold from America an inflation took place.

was millions of Marks, Germans have been afraid of inflation. The experience of inflation was decisive for the stability of money becoming a central element of the German national identity. French philosopher André Glucksmann characterizes the German fixation on the currency's stability as a kind of religion (*Währungsreligion*<sup>39</sup>).

Economist Irving Fisher (1948: 8) reports that in 1922 he went to Germany in order to explore, whether the average German had already realized: due to inflation the mark was suffering extreme losses and was no longer stable. The mark at that time had already lost 98 percent of the purchasing power compared to the mark before the war. According to Fisher 19 out of 20 Germans had no idea of the difficulties of their pecuniary system. A merchant buying commodities for 1 mark and selling for 3 mark believed to have made profit but in reality had losses. According to Fisher the Germans had not the slightest idea concerning the inflation taking place; they believed in the mark's quality; an example of *Geldillusion*. Only in 1923 did panic start. The economy broke down and wealth vanished rapidly. The illusion of having stable money was reintroduced by creating the Rentenmark (based not on gold but on real estates as securities).

In the *Third Reich* the Nazi Party's price-controls hindered the fluctuation of prices. Furthermore a PR-campaign run by the administration had the aim to prevent the development of doubts concerning the value of the Reichsmark - although the volume of money grew enormously (Schmölders, 1970: 178). In 1940 Prof. Dr. Ernst Wagemann published a book "*Wo kommt das viele Geld her?*" *Geldschöpfung und Finanzlenkung in Krieg und Frieden* ("Where does the many money come from?" Creation of money and monetary policy in times of war and peace). Wagemann (i.e. the Nazis) had realized that the German population was terribly afraid of inflation. If the building up of fear of inflation was to be neutralized, the *Geldillusion* had to stay alive. For that reason people needed to learn where the large amount of money used for rearmament had come from. The 90 million Marks spent for arms were said to have been created due to technological innovations. The new money was not interfering with private consumption. The secretary for economy and president of the *Deutsche Reichsbank*, Walther Funk, argued in the book, the money was the result of German working efficiency (*Das viele Geld kommt von der vielen Arbeit!*). For the first time in Germany a government made a PR campaign for its legal tender.<sup>40</sup> The people should understand monetary policy (i.e. be manipulated to believe the lies of the politicians and bankers).

Although quantitative data are not available, one can conclude that the campaign was quite a success. The "Nazi-money" was accepted even after the war. Only in the spring of 1948, shortly before the introduction of the new *Deutsche Mark* in the Federal Republic of Germany<sup>41</sup> was Nazi-money no longer accepted and the *Zigarettenwährung* (cigarettes became the currency) took its place. Cigarettes were the stable medium of exchange

<sup>39</sup> Quoted in: Issing, Otmar, *Wider die Papiergaunereien*, in: *Frankfurter Allgemeine Zeitung*, April 6, 1996: 17.

<sup>40</sup> There have been campaigns for war-loans in Germany during World War I using newspapers, cinemas, posters etc.; cf. Kunczik (1997a: 161).

<sup>41</sup> The *Deutsche Mark* was not introduced in the Soviet occupied part of Germany, the later GDR (German Democratic Republic). In the GDR a new legal tender was introduced too, but this worthless communist money of a planned economy never had any relevance for international monetary policy. The GDR due to economic inefficiency went bankrupt.

without any inflation used on the black markets<sup>42</sup> (Schmölders, 1947). Cigarettes for a short time in Germany became the new medium of exchange and were the basic unit for commensuration.

### Public Relations for Soziale Marktwirtschaft and the Deutsche Mark - DIE WAAGE

After World War II a new currency had to be introduced to the Western part of Germany. Konrad Adenauer, the first chancellor of the Federal Republic of Germany, had accepted survey researchers as advisors. Already in 1948, polls concerning the effects of the introduction of the new *Deutsche Mark (DM)* had been carried out – which as a symbol of the German economic miracle was a big success (Schmidtchen, 1965: 237). The DM became a central aspect of (West-)German identity. Surveys at the beginning of the fifties revealed that Germans had a negative attitude towards entrepreneurs (69 percent of the employees believed entrepreneurs to be anti-social) and most individuals did not know the meaning of *Soziale Marktwirtschaft* [social market economy] (many believed that *Soziale Marktwirtschaft* meant that the *Social Democratic Party* would govern – a party which in those days adhered to the idea of a planned economy). Furthermore it was found that people seemed to refuse democracy. Social scientists concluded that government and entrepreneurs needed the support of public relations. A campaign was recommended to present the advantages of *social market economy* to the public and in this campaign the new currency would be promoted too. The trust in the stability of the Mark would be implanted in Germany.

As a consequence *DIE WAAGE/Gemeinschaft zur Förderung des sozialen Ausgleichs* (“The Balance/Society for the improvement of social adjustment”) was founded in 1952 (Kunczik and Schüfer, 1993). *DIE WAAGE* has never had financial problems – and her financial sources could never be identified. The connections to the government are still not quite clear – and due to missing sources will never be uncovered. *DIE WAAGE* had the task to influence public opinion in favor of entrepreneurship and to support the idea of *Soziale Marktwirtschaft* whose emphasis was on social responsibility in both employers and the working class. The meaning of *Soziale Marktwirtschaft* was market economy with social responsibility.<sup>43</sup> And the *starke Deutsche Mark* (strong German mark - no inflation due to responsible economic behavior<sup>44</sup>) was of central importance for this economic and social model. Extreme inequality was not allowed (all people should have a minimum income, social insurance, be free of want etc.), but creditable performance should pay off.

The theory of *Soziale Marktwirtschaft* implied the idea of currency stability. Stability was regarded as an aspect of ethics. In a volume presented on the occasion of the 50<sup>th</sup>

<sup>42</sup> On a black market merchandise is offered for sale contrary to legal restrictions.

<sup>43</sup> The idea of *Soziale Marktwirtschaft* was put into practice under Ludwig Erhard in 1949. The economist Alfred Müller-Armack (1947) had developed this concept in *Wirtschaftslenkung und Marktwirtschaft*. It implied a free market economy with market-prices being of central importance. But the state had the obligation to take care of free competition. The German economist Walter Eucken had characterized competition as a weak flame (“schwaches Flämmchen”; cf. Eucken, 1964: 152). Furthermore the state had the task to redistribute income and wealth by progressive taxation.

<sup>44</sup> An example for irresponsible economic behavior is President Robert Mugabe of Zimbabwe (TIME, August 13, 2007: 10). In 2007 (the rate of annual inflation was already more than 4.500 percent) he ordered to print money in order to improve infrastructure: “Where money for projects has not been found, we will print it.”

birthday of the Deutsche Mark (*Deutsche Bundesbank: Fünfzig Jahre Deutsche Mark*) Manfred M.J. Neumann (1998: 309) argued that ethical economic behavior implies the stability of currency. Citizens have the right to live in a society guaranteeing a stable medium of exchange. This idea was seen as a prerequisite of individual liberty, offering the chance to realize one's own life in one's own responsibility. Included in the model of economy is the right to own private property and economic competition. A stable legal tender is characterized as "coined liberty" (*geprägte Freiheit*).

In 1961 Rudolf Meimberg (1912-2011), a then leading (West-)German expert on monetary policy in *Der Geldwert im Widerstreit der Interessen* (1961: 56) underscored the importance of public opinion for monetary stability. Political and economic behavior endangering money stability had to be dragged to the light of day and stigmatized publicly, i.e. a monetary policy endangering monetary stability had to be in the public eye. Public pressure could and should be used to fight inflationary tendencies.<sup>45</sup>

In 1952, DIE WAAGE started one of the biggest public relations campaign ever waged in Germany which lasted for 14 years. The whole campaign was continually evaluated by polls (Binder, 1983: 150). Although statistical numbers cannot prove whether DIE WAAGE has achieved her aim it is a fact that in 1950, 56 percent of the German population did not know what *Soziale Marktwirtschaft* meant. In 1961 64 percent of the population were said to be in favour of *Soziale Marktwirtschaft*.

To give some examples of the campaign: In 1953 an advertisement was published to celebrate the 5th birthday of the DM. It was underscored that the DM was one of the healthiest currencies world-wide; only the Swiss Franken and the American Dollar were comparable in quality. The ad closed with the message that *Soziale Marktwirtschaft* was the cause of the Mark's stability. Germany should take care of this economic system which was responsible for economic success and the internal stability of German society. In many advertisements the problem of inflation and whether the Mark would retain its value was discussed (*Behält unsere D-Mark ihren Wert?*). An essential point was that inflation in the FRG was regarded to be impossible because the government did not have the power to print money without limitations (compare this to the present [2012] creation of gigantic amounts of Euro – just a boundless printing of money). Inflation was characterized as indicating a sick economy. Prices inflated due to unethical fiscal policy exploiting the people's wealth. It was underscored that the world had trust in the DM and foreigners were investing in German currency. They believed in the success of *Social Market Economy*. (*Ausländer legen heute ihr Geld in D-Mark an. Also in dieser Hinsicht können wir ruhig schlafen, denn die Welt hat Vertrauen zu uns und unserer Sozialen Marktwirtschaft.*) In 1956, advertisements propagandized the thesis that monetary stability is the key to economic success. There had to be a balance between commodities and money.<sup>46</sup> Stability of money was a synonymous for financial security including social security. In 1957 DIE WAAGE

<sup>45</sup> "Wenn sich aber erreichen ließe, daß jede den Geldwert gefährdende Tat, die als solche erkennbar ist und für die sich Verantwortung zuordnen läßt, im öffentlichen Bewußtsein als verfehlt gilt, würde das - so darf behauptet werden - von beträchtlicher praktischer Bedeutung sein" (Meimberg, 1961: 56).

<sup>46</sup> Increasing price levels are seen as arising from mounting effective demand without corresponding increases in the supply of commodities.

showed a cartoon-film in all (West-)German cinemas. The topic was *Soziale Marktwirtschaft* and the stability of the DM. Some causes of inflation (social irresponsibility and greed) were explained in an extremely witty way. The film finished depicting a German Mark-coin shining glorious like the sun. The slogan was: take care of the German Mark (*Bewahrt uns unsere Deutsche Mark*). In 1962 as well, advertisements maintained that the DM was good money (*Ihr Geld – unser Geld – ist gut!*). Trust into the stability of the Mark in those days became a practical experience for Germans; esp. when they went to foreign countries for holidays. There citizens of Germany experienced that currencies like the Italian Lira, the Spanish Peseta or the French Franc continuously lost value in comparison to the Mark.

### Public Relations by the Government

Between 1955 and 1959 the German government published nearly two dozen advertisements pointing out that the DM was stable and no inflation was taking place to endanger the wealth of the people. Chancellor Ludwig Erhard, the “father of the economic miracle”, published in the electoral contest of 1965 advertisements propagandizing that the DM was one of the strongest currencies in the world; it was accepted everywhere. The reason was simple: no inflation in contrast to the rest of the world (*Sie ist überall ihrer Härte wegen begehrt. Daran kann keiner deuteln. Die Preise steigen in fast allen Ländern der Welt. Bei uns halten Sie sich am besten.*<sup>47</sup>). The administration of Kurt Georg Kiesinger, chancellor of the so called Große Koalition (great coalition between socialist and conservative parties; May 23, 1967), too published advertisements emphasizing the stability of the Mark. Minister of Finance, Franz Josef Strauß, advertised that in an economy growing adequately (according to the laws of economy) there is no inflation and no unemployment. Everyone had the opportunity to improve the standard of living. (*In der wachsenden Wirtschaft sind die Arbeitsplätze sicher, in einer vernünftig wachsenden Wirtschaft bleiben die Preise stabil. Bei stabilen Preisen und steigenden Einkünften können alle ihren Lebensstandard verbessern.*) Another government-advertisement pointed out: It is a fact – there is no inflation. The DM is hard and stable. Prices don't rise (*Wer von Inflationsgefahr und übermäßiger Verschuldung redet, geht an den Tatsachen vorbei: Die DM ist hart und fest. Die Verbraucherpreise sind stabil.*). Other advertisements placed in all major media emphasized again and again that the DM had a high quality: No inflation; i.e. the prices for articles for daily use remained stable (*Die Preise sind stabil. Die D-Mark blieb eine der härtesten Währungen der Welt.*). In the electoral contest of 1969 the argument of the conservative CDU/CSU (Christlich Demokratische Union/Christlich Soziale Union) was: Our prices must stay stable (*Unsere Preise müssen stabil bleiben*).<sup>48</sup> The pamphlet *Informationen der CDU* argued, that the German people knew that a stable DM was decisive for the well being of German society, its political and economical stability (*Unser Volk weiß, daß der Kurs richtig ist: Stabile Politik, stabile Wirtschaft, stabile D-Mark*).

Chancellor Helmut Schmidt (Sozialdemokratische Partei) in the 1976 election contest posted advertisements to disseminate the message that during his reign the DM had not only remained at a stable value, but in comparison to other currencies its value had even risen, and this development had to be continued. (*Unsere D-Mark ist heute eine der*

<sup>47</sup> This and other ads can be found in: Presse- und Informationsamt [...]: Das Urteil [...].

<sup>48</sup> Der Spiegel Nr. 33, 1969: 25.

*härtesten Währungen der Welt. Und das muß so bleiben. [...] Wer in diesem Jahr außerhalb unserer Grenzen Urlaub macht, wird feststellen, daß er mehr Lire, Peseten, Francs, Pfunde oder Dollars für seine D-Mark bekommt. In den vergangenen Jahren ist die DM erfreulicherweise immer wertvoller geworden.*) The Federal Republic again was characterized as being the country with one of the strongest currencies of the world. In the weekly DER SPIEGEL the government published an advertisement saying that the DM had been steered safely through world-wide inflation, a world-wide currency crisis and a global economic setback (*Diese Regierung hat die Mark sicher durch Welt-Inflation, Welt-Währungs-Krise und Welt-Rezession gesteuert.*) Another advertisement propagandized that the Germans never before could buy so much foreign money for the DM. The reason: The resolute fight of the government against inflation. The argument "No inflation" became a kind of political and economical mantra repeated again and again like on a prayer wheel.

During the 1980 election (Strauß vs. Schmidt), supporters of former Minister of Finance Strauß (CSU) without success tried to exploit the fear (Angst) of inflation and disseminated the information (a whacking big lie) that chancellor Schmidt was preparing a reform of the fiscal system with the DM being exchanged at a rate of 10:1 for a new legal tender. The aim was to create horror and panic in order to win votes.<sup>49</sup> When Strauß was correct the worst fears were realized. But Strauß had no success; Schmidt won the election.

A kind of slapstick-PR campaign was planned in Germany for 1990 (after the reunification). The campaign *Der kluge Ludwig* (Ludwig was the still very popular former chancellor Erhard) should aim at explaining to the citizens of the former GDR (Deutsche Demokratische Republik) the meaning of *Soziale Marktwirtschaft*. Cartoon-films shown on TV were supposed to distribute informations about *Soziale Marktwirtschaft (Grundbegriffe und Techniken der Marktwirtschaft)* with Erhard acting as the teacher. His pupil was a stupid dachshund named Helene. In order to quiet the dog he threw a Mark-Coin to the dog. The dog bit the coin and came to the conclusion that the DM is hard (*Jaul-boo - die ist aber hart!*). Erhard explained: Yes our DM is a hard currency which has a big purchasing power. One can buy many commodities with DM. But after living for 40 years under socialism Helene preferred to stay lazy. Ludwig commented: If you and many others are lazy and do not produce enough than the DM will no longer be stable; the DM's value will go down. Furthermore the former inhabitants of the GDR were informed that they – if only enough money had been saved - could visit foreign countries (a dream for the majority of the GDR citizens who were confined to stay within the GDR). The D-Mark, Ludwig instructed, was accepted everywhere (the Ost-Mark of the GDR never had been accepted in countries with a market economy). But due to happy circumstances (may be as a consequence of the realization of this unbelievable bad PR-idea a revolution of enraged citizens would have taken place in the former GDR) this PR-idiocy was never realized – but tax payers' had already been spent and so called PR-experts had earned it for nothing.

<sup>49</sup> In the 1934 election contest in California a campaign against Upton Sinclair took place (Mitchell 1992). Hundreds of thousands of red colored "Sinclair Dollar" notes circulated (The Red Currency). On the notes, signed by Utopian Sinclair, Governor of California was printed: "Good Only in California and Russia - Not Very Good Anywhere". The notes also propagandized: "Endure Poverty in California".

## Campaigning for and against the Euro

The introduction of the Euro too was accompanied by PR campaigns. In January 1996 the *Aktionsgemeinschaft Euro* (German government, European Parliament and European Commission were participating) started its activities. Information about the new currency to be introduced were associated with the idea of European unity. In 1996 8.7 million DM; 1997 17.5 million DM and 1998 17.7 million DM have been spent on the campaign. Advertisements were placed in all the important print media. The motto was *Europe is the Future*. Prominent individuals (celebrities) participated. Former chancellor Schmidt, who still had a very high reputation in Germany, pointed out, that the Euro was good for Germany. In January 1997 a special telephone-service informing listeners about the Euro (*Euro-Bürgertelefon*) was established. During the soccer world championship in France, advertisements were published in the context of this event. The slogan was: The Euro, the common currency of Europe (*Der Euro. Europas gemeinsames Geld*). The trainer of the German soccer team, Berti Vogts (without doubt not really an expert in monetary policy) asserted the importance of the Euro for the future of Europe (*Der Euro ist ein Steilpass in das nächste Jahrhundert*).

Events (sessions, meetings, conferences, congresses etc.) were arranged in order to try to establish contacts with the citizens. The internet was used, pamphlets were produced and teaching material was prepared for schools. Multipliers received special attention (arguments to be used in discussions; overhead folia etc.). In Germany<sup>50</sup> the Ministry of Finance emphasized that the Euro was supposed to be as stable as the DM (*Der Euro - Stark wie die Mark*). The Board of Industry distributed a Newsletter *Unternehmen Euro*. The *Deutsche Bundesbank* published letters of information about the Euro. All together the success of the PR campaign was not quite convincing. The campaign lasted three years and about 45 million DM had been spent. But in December 1998, one month before the Euro was introduced as an entity for book-keeping (allowing clearing-offices the settlement of balances), two-thirds of the Germans had no idea about the timing of the introduction of the new coins and bank-notes (when the coins and notes were introduced in January 2002 people without doubt were informed).

In Germany there was (even today the legal dispute has not ended) massive resistance against the introduction of the Euro. In 1998 a party was founded, the *Pro-D-Mark Partei*. In the election campaign for the "Bundestag" advertisements stated that the Euro-madness will transform us into welfare recipients (*Der Euro-Wahn macht uns zum Sozialfall!*). Another ad stated that intelligent people were against the Euro – only simpletons supported the new currency (*Die Intelligenz ist gegen den Euro, die Dummheit dafür.*). But, no member of the new party was elected into the Bundestag (lower house of the German Parliament). Maybe people at the time of the introduction of the Euro believed that the new legal tender would remain stable, but shortly after the introduction of the Euro there was the saying in Germany: *Der Euro ist der Teuro* (Euro is Teuro<sup>51</sup>; i.e. the prices are rising).

<sup>50</sup> Also in other European countries (e.g. Luxemburg, Austria, Spain, Ireland, Finland and France campaigns for the Euro were waged.

<sup>51</sup> An untranslatable play of words; the German word "teuer" means expensive/costly. Teuro meant that Euro is a synonymous for rising prices and inflation.

## RÉSUMÉ

My thesis is that fear of inflation is central to German national identity and still alive in the German collective memory given the traumatic experience of the 1922/23 period of hyperinflation. The argument that since World War II, the Germans after have become completely new people is valid for their attitudes towards democracy, but does not seem to apply to their economic behavior. Angst (fear) of inflation has coined German identity since the 1920s.

The problem of fear of inflation has – also due to a lack of data – only been scratched. But one thing is for sure: actors in global financial markets (analysts/raters) are living in a world where global competition according to the law of the market is accepted. Momentarily (2012) the rating agencies are heating up fear of inflation by downgrading European countries and their currencies. Politicians and bankers seem not to realize that raters live in a world of literary images. Rating agencies which strongly rely on mass mediated information as a rule are simply unable to produce correct sovereign ratings (Kunczik, 2002). Vaclav Klaus, former Prime Minister of Czech Republic, in 1998 drew attention to the restricted world view of the people working as raters and strongly influencing global capital flows: “Another problem is the international markets and their young, quasi-sophisticated boys who think that they know everything [...] and tend to oversimplify.”<sup>52</sup> Money for them is the most important thing in the world.<sup>53</sup> Raters seem to adhere to a theory of life that is akin to Oscar Wilde's definition of a cynic: “A man who knows the price of everything and the value of nothing.”

This judgment applies to all big credit rating agencies which in most cases come to very similar ratings. The homogeneous world view of the raters of the different agencies points to social determinants of the evaluations. Karl Mannheim (1929) in *Ideologie und Utopie* (Ideology and Utopia) analyzed how the social location of individuals and groups shaped their knowledge.<sup>54</sup> He concluded that every social position affords its own perspective, i.e. the partial truth is yielded by the socially available perspective.<sup>55</sup> Ann Swidler and Jorge Ardití (1994: 313) point out that scattered evidence suggests that those who must regularly deal with an impersonal, distant cultural world organized by abstract principles such as individualism or rationality construct knowledge differently than do those located socially and intellectually in more parochial settings. The IMF (1999: 149) reports that in terms of educational work and background, most sovereign analysts have a master's degree, and on average they have 10-12 years of work experience in country risk analysis.

<sup>52</sup> Vaclav Klaus; quoted in: Time, October 26, 1998: 58.

<sup>53</sup> George Bernhard Shaw writes in the *Preface* (p. XIV) of *The Irrational Knot*: “Money is indeed the most important thing in the world; and all sound and successful personal and national morality should have this fact for its basis.” For Shaw the universal regard for money was the one hopeful fact in civilization. The Bible (*Timothy 1*) was of contrary opinion: “The love of money is the root of all evil.” (“Denn die Wurzel aller Übel ist die Habsucht”; *Erster Brief an Timotheus*).

<sup>54</sup> According to Swidler and Ardití (1994: 306) the new sociology of knowledge examines how kinds of social organization make whole orderings of knowledge possible, rather than focusing in the first instance on the differing social locations and interests of individuals or groups.

<sup>55</sup> The idea of Mannheim (1929) that the socially unattached intelligentsia is the carrier of “objectivity” by relating of partial perspectives to form an “objective” “total perspective” will not be discussed here.

This implies that with a high probability the analysts due to their occupational experience have a homogeneous view of the world. Raters adhere to a common ideology<sup>56</sup> which they do not call an ideology (may be they even do not know that it is an ideology); they call it market economy or laws of the market or laws of supply and demand. Politics is regarded as something separate from the economy – the capitalist free market economy.

It is not yet proven what effects the ratings have on national identities (without doubt they have effects on business/finance and policy. But reporting about the changing of ratings in the meantime has become a core topic even in the general news (television and newspapers). In Germany there is an intensive public discussion concerning the question of whether countries like Greece and Cyprus should be kept inside the Euro zone or not. In Germany the majority (December 2012) seems to be opposed to providing further support to such countries. People do not want to sacrifice parts of their earnings and want debtor nations like Greece to exit (German policy took another position). Stable legal tender still seems to be a central component of national identity.<sup>57</sup>

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<sup>56</sup> An ideology is a manner of thinking characteristic of a class – a collection of beliefs and values held by a group for other than purely epistemic reasons. Most ideologies reflect practical interests, i.e. an ideology defends the Status quo and serves the interest of the dominant class. Karl Marx and Friedrich Engels in *The German Ideology* brought it to the point: "Life is not determined by consciousness, but consciousness by life." (1959: 247).

<sup>57</sup> What effects the Euro crisis will have in other European countries on their respective national identities is even more based on speculations and not on empirical data. I don't allow myself to conclude with a prognosis because saying something about the future always means saying something wrong.

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# VALUTE, NACIONALNI IMIDŽI I IDENTITETI: ODNOSI S JAVNOŠĆU ZA I PROTIV VALUTA – POVIJESNA ISKUSTVA NJEMAČKE, SLUČAJ EURA I ULOGA REJTING-AGENCIJA

Michael Kunczik

**SAŽETAK** U "doba tržišta" euro je od središnje važnosti u Europi za stvaranje (ili uništavanje već postavljenih) struktura europskog identiteta (barem u dijelu Europe – gdje je Velika Britanija zauzela izdvojen položaj). U radu ističem teorijske aspekte (Aftalionovu psihološku teoriju valutnih tečaja i Simmelovu filozofiju novca) kako bih naglasio važnost odnosa s javnošću. Rad je usmjeren na povijesna iskustva – većinom njemačka iskustva – primjerice na kampanju protiv Rubela, ideje Ivya Leea, PR-kampanje nacističke vlade u borbi s inflacijom. Upoznaje se s njemačkom markom ("die Deutsche Mark") koja je postala središnji dio njemačkoga nacionalnog identiteta i s kampanjom za odbacivanje te valute ("harte Währung") kako bi se predstavio "slabi" euro. U tom kontekstu raspravlja se o kampanjama protiv eura ("only idiots want the Euro"). Završna zapažanja odnose se na ulogu rejting-agencija te povjerenja u valute i zemlje. Moja je teza da analitičari rejting-agencija žive u "svijetu književnih slika" i djeluju na posve neodgovoran način (ali još veću nesposobnost iskazuju političari koji prihvaćaju rejting bez ikakva znanja o problemu proporcionalnosti).

## KLJUČNE RIJEČI

EURO, VALUTE, NACIONALNI IDENTITET, ODNOSI S JAVNOŠĆU, REJTING-AGENCIJE

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