

# ERM CRISIS Anglo-German war of words

**① Saturday, September 5:**  
Row begins between Britain's Chancellor Norman Lamont and Bundesbank President Dr Helmut Schlesinger at meeting of EC finance ministers in Bath. **Lamont repeatedly demands that Germany cut its interest rates immediately**



**② September 5-12:**  
Private talks take place between Frankfurt and London linking devaluation of weaker European currencies with a substantial lowering of German interest rates. **Lamont resists – 'there is no question of any change in the central parity of the pound against the Deutschemerk'**



**③ Sunday, September 13:**  
In the week following the Bath conference Germany spends DM24bn (£8.6bn) to support the lira. **Italy is forced to devalue its currency**



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**④ Monday, September 14:**  
Chancellor Kohl tells Dr Schlesinger that a cut in German interest rates will encourage a 'yes' vote in Sunday's French referendum on Maastricht. **Schlesinger cuts the key Lombard rate by one quarter per cent**

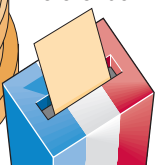
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**⑤ Tuesday, September 15:**  
Reports become public that Schlesinger wants a realignment of currencies within the ERM – **this is interpreted as a reference to sterling**

**⑥ Black Wednesday, September 16:**  
Currency dealers sell sterling heavily. **Despite raising minimum lending rate to 15% and overnight sterling rates to 100%, the pound crashes through the ERM floor. Lamont suspends the pound from the ERM and reduces MLR to 10%. Bundesbank subsequently reveals having spent DM44bn (£17.5bn) defending sterling**



**⑦ Sunday, September 20:**  
**French vote 'yes' in the Maastricht referendum**



**⑧ September 22-25:**  
French franc – hit by a tidal wave of selling – drops to the floor of the ERM until the Bundesbank spends DM44.3bn (£17.64) to shore it up  
**Thursday, September 24:**  
**Lamont attacks Schlesinger for making comments which 'triggered the final irresistible assault on sterling'**



**⑨ Monday, September 28:**  
Statement by Schlesinger is written at request of German Ambassador in London. Schlesinger rejects British complaints about German policy made since sterling was forced to pull out of the ERM. **Ambassador Baron Hermann von Richthofen shows statement to British Foreign Office asking that it remain confidential**



**⑩ Tuesday, September 29:**  
**German Finance Minister Theo Waigel proposes that France, Germany, Austria, Switzerland, Benelux and Denmark proceed with monetary union based on a 'Europa-Mark'**

**⑪ Wednesday, September 30:**  
Foreign Secretary Douglas Hurd travels to Bonn to 'calm the waters'. Chancellor Kohl tells Prime Minister Major that there will be no two-speed Europe. **Schlesinger statement made public by Baron von Richthofen Thursday, October 1:**  
**British Treasury insists that the Bundesbank made 'undermining statements which damaged sterling'. Pound slips to new low of DM2.4740**

