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"A CONVERSATION WITH HELMUT SCHMIDT -
CHANCELLOR OF WEST GERMANY"

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FROM WNET

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BILL MOYERS: This is Bonn, the capital of the Federal Republic of Germany. The West Germans call it their federal village because its population of around a hundred and fifty thousand is small for a major capital.

Bonn is a relative newcomer to world centers of power. It only became the seat of government twenty-five years ago in a divided, post-War Germany.

A new capital but an ancient site on the Rhine River. There are altars here from Roman times when landowners worshipped a cult of deities known as the Matrones. The tower and part of the chancel in this collegiate church date from the twelfth century. The Electors Castle is the home of the University, a baroque building surrounded by lawns.

Beethoven was born in this house in a court in the Old Town in an upstairs room. He left for Vienna when he was 22 but the villagers of Bonn still celebrate his genius with Beethoven festivals.

And this is the newest part of the Bonn -- the government quarter for politics, not music now dominates the life of this city. The commanding political figure is a man considered to be one of the strongest leaders in the West. He's the Chancellor of West Germany, Helmut Schmidt.

Helmut Schmidt, now Chancellor of West Germany was born in Hamburg on the 23rd of December, 1918. It was the year when the last guns fired and the last troops went over the top. The First World War was over. Prisoners returned to a Germany of chaos and revolution. Helmut Schmidt's father was a teacher and the family lived in a Hamburg working class suburb. It was the end of an era. The Kaiser resigned and the Weimar Republic was born, Germany's first serious attempt at democracy.

In Versailles, the young Republic faced a world of hostility, the treaty terms were harsh and led to intense bitterness in Germany.

The French had the right to stay on in defeated territory up to fifteen years and add its own. It was a time of great political unrest. There was street fighting and the first signs of anti-semitism appears.

By 1926, however, Germany achieves respectability and is accepted as a member of the League of Nations. There is a measure of short-lived prosperity but the 1929 crash closes the banks and causes six million people to lose their jobs. Money becomes worthless. Helmut Schmidt is now eleven years old and is sent to a state progressive coeducational high school in Hamburg. The result of the crash is the rise of the Nazi Party. The young Hitler speaks in the streets all over Germany, offering popular and simple solutions. Helmut Schmidt, now sixteen, is incorporated into the Hitler Youth Organization when his school rowing club is swallowed up by the movement. Critical and argumentative, he soon quits.

Hitler's star rises higher and higher in the sky. At the Nuremberg Rally, Germany's young look up to it and perform for him.

When war breaks out in 1939 Schmidt is recruited from the National Youth Workers Brigade to become a private in an anti-aircraft regiment. 1941 seems him in Russia, a tank division, and a year later he is sent to Berlin to lecture on machine guns and machinery in the Air Force and is promoted from the ranks. Already his powers of oratory have been recognized.

It was in these troubled times that he married Loki Glaser who studied in the same class with him at high school in Hamburg. At the end of the War he is a First Lieutenant and taken prisoner by the British.

After the war he returns to the shell that was once Hamburg. This port, where his grandfather had worked as a stevedore was in ruins. Helmut Schmidt had to be both persistent and lucky to get ahead of the rush for university places. He studies political science and economics at Hamburg University. It was here that Schmidt founded the

Socialist Student League. He becomes its president.

During this time at University, the Cold War was the major issue. The victorious Allies were divided over what was to become of Germany. The British and Americans wanted East and West united. The French and Russians did not. The Cold War was on.

A new West German Federal Republic was founded with Bonn as its capital, Adenauer as its head. Adenauer was Germany to the rest of the world for the next fourteen years.

The 1950s were quiet years when the Germans concentrated on materialism. Nobody wanted to know about political unrest. However, the Korean War and Soviet troops on the border stirred the fear of Communist aggression and led to the rearmament of West Germany amidst bitter discussions.

In 1953 the left wing Social Democrats elect Helmut Schmidt to the Bundestag, the German Parliament. The country is still governed by Adenauer and the right wing Christian Democrats. At 35 he is considered the bright young star of the opposition. He is a natural speaker.

Five years later, he becomes his Party's spokesman on defense and his tangles with Strauss and Adenauer in Parliament are full of sparks.

Schmidt then decides to leave the opposition benches in Bonn and return to the regional politics in Hamburg. He becomes Senator for Internal Affairs. As he is sworn in, it must have seemed like achieving the ambition of a lifetime. Hamburg was and still is his greatest love.

During this time the Berlin Wall was built. The Communists set up their capital in Berlin, a continual sore to West Germany and to the desire for reunion. The flow of millions of East Germans to the golden west is dramatically stopped. They walled their people in.

By this time the four billion dollars of American aid had helped the miraculous German recovery but reunification was still beyond their grasp. Meanwhile, Hamburg experiences fearful floods. Over three hundred people are killed. Schmidt, in his position as Senator, has ample opportunities to show off his best qualities: his ability for making quick decisions, his efficiency and organizational talent. He quickly becomes a national hero as a result of his success in dealing with this tragic event.

He is prepared to take severe steps to prevent disease. One of his ministerial responsibilities is public order. He shows courage and even rather enjoys the confrontations it brings.

Schmidt is a constant supporter of Willy Brandt, now leader of the Social Democrats and it is Brandt who persuades him to return to national politics. Now Schmidt has become known and even feared for his powers of oratory. He enjoys a political fight. His style of operation, some say, modeled on John F. Kennedy, begins to take shape. His hours are long -- a sixteen hour day is normal. He demands and gets a great loyalty. He lives alone in Bonn, returning to Hamburg only for weekends. His wife keeps her job as a high school teacher. He works toward the formation of the grand coalition -- the joining together of Germany's two major parties: the Christian Democrats led by Kiesinger and the Social Democrats led by Brandt. Germany is moving left.

Kiesinger is tainted with Germany's past. Brandt is not. He spent the War in Norway. 1969 sees the changing of the guard. "Nazi's Out" is the cry of the extreme left wing party. A leader with a clean slate is called for.

Schmidt is a tireless campaigner, though canvassing he finds difficult and when taxed, he replies, I'm just too tired to be nice. "First class" is a favorite word of his. And certainly, the way he handles rallies could be described as superb. He is witty and sharp. He answers hecklers with ease.

This student heckler he chastises for intolerance.

Kiesinger goes and Brandt is victorious. The move to the left is confirmed. Schmidt then becomes Minister of Defense and floor leader of the House. Of the two jobs, he prefers leader of the House because as Minister of Defense, he finds the work restricting.

He does like the contact with other countries and makes valuable friendships with men who will later govern their own nations. Here he is inspecting the Guard of Honor with the U.S. Secretary of Defense Melvin Laird, during one of his frequent trips to America. He establishes himself as an Atlanticist and a firm believer in the importance of the American military presence in Europe.

Schmidt also takes a great interest in NATO and during this period completes the second of two major books on defense strategy. The books have received the highest reviews from authorities around the world. They were actually written almost entirely by himself in longhand.

In 1972 Schmidt is made Minister of Finance. As an economist he goes back to perhaps his chief interests. At this time, his reputation as Germany's leading Parliamentarian since the War, along with Strauss, is confirmed. He is determined that Germany's increasing economic power should be felt in world affairs.

The times he took off to relax were few but he was a country house in Schleswig-Holstein where, in addition to moving the lawn, he can enjoy his favorite nonpolitical sport -- sailing.

His lifestyle can be described as modest. He dresses simply but eats appallingly. His diet is said to consist of sticky buns and Coca Cola. This may have led to a spell in the hospital with a serious thyroid complaint. At this time Schmidt must have had few thoughts of future leadership. Brandt is about the same age and immensely popular. Schmidt becomes known as Schmidtschnauzer, literally translated: Big Mouth. By many he is thought coarse and disliked. But his close friends and associates admire and respect him. Suddenly, however, the opportunity comes for him to be voted Chancellor because of Brandt's sudden departure owing to the East German spy scandal. Everyone turns to him with relief, hoping that he may turn out to be a German DeGaulle.

Brandt is the first to congratulate his friend. Even during official visits the Schmidt style of government is soon established. He insists on an efficient and hard working staff to do exactly what he says. Members of his own Party, who he disagrees with are sometimes treated rudely. A typical remark is: You muck about with the crisis of your own brain instead of the economic condition. Schmidt has no intention of allowing Germany's past to get in the way of the present reality of her economic strength. The era of Germany's post-War stability is gone. Schmidt becomes known overnight in England when he speaks at the Labor Party Conference. He comes to Prime Minister Wilson's aid in trying to keep Britain within the Common Market. His intervention in another country's political scene is masterly.

HELMUT SCHMIDT: I'm not going to interfere with your decision and of course I'm not going to shoot from the hip at high noon if somebody -- (Laughter and Applause). But, comrades, in regard of your vote of yesterday, I cannot totally avoid to put myself into the position of a man, who, in front of ladies and gentlemen who belong to the Salvation Army, tried to convince him of the advantages of drinking. Your comrades on the Continent want you to stay and you please will have to weigh this if you talk of solidarity.

MOYERS: Helmut Schmidt will have to use all his skill and call on his experiences of the last 57 years to make the correct moves at this crucial time in history. In an era when leaders are so scarce and yet so important, it is perhaps ironical that it is Germany that has produced a man like Helmut Schmidt.

Mr. Chancellor, are there problems of being a leader when people are suspicious of leadership but still want to be led?

SCHMIDT: Well, I think, Mr. Moyers, that a situation like that might happen from time to time in different countries. I don't think that this is a true picture of the situation in our country today. It's true that my party has some -- and also the government -- has some difficulties which are shown in the state elections every once in a while. But the reasons for that are not so much that people are afraid of strong leadership. More. On the contrary, people, to some degree have come to dislike a rather weak, let me say, diversified behavior of my own party in recent months and secondly, despite the fact that the economic performance of Germany, looking onto Germany from abroad, makes a good impression, I would believe, relatively speaking, quite good impression. Nevertheless, a number of people are unemployed inside Germany, which they have not been for a period of, let's say, six years or so.

MOYERS: What is your rate of unemployment right now?

SCHMIDT: It is nearing four percent. And this by German standards is believed to be a very bad development. I, myself, share the belief that it is a bad development but, I, of course, do not know what many people in Germany don't understand exactly, that this has something to do with the worldwide recession. Germany is very much dependent on worldwide economic trends. We are five times higher dependent on the world's economy as a whole than is the U.S. economy because we do export nearly one-quarter of our GNP, whereas you do export only one -- I think five percent.

MOYERS: Five percent.

SCHMIDT: Yes.

MOYERS: So when the world economy is in a bad state, Germans lose jobs.

SCHMIDT: Of course.

MOYERS: But this is puzzling, Mr. Chancellor because, as you said earlier, from abroad, Germany has managed its economy, its inflation and its recession better than any other government we look at in the Western world. And it's puzzling to us to see that there's disenchantment toward a government that is....

SCHMIDT: Would you please tell this to the leaders of my opposition?

MOYERS: But does this say that it's impossible today for governments to really satisfy the demands of citizens?

SCHMIDT: Well, I think that in many democratic, industrial societies, parliaments, parliamentary majorities, say legislative bodies, governments, ministers, presidents - have too long, to a too great extent - tried to fulfill wishes which better ought not to have been fulfilled, thereby stretching the claims onto parts of the gross national product far too far and thereby creating inflation. On the other hand, people in many of our societies have taken on the habit of asking for even more and having had the experience that these wishes are fulfilled, if not immediately, the year thereafter or so, if not to a hundred percent, at least fifty or thirty-three percent or so. The general attitude that we'll live better every year, get bigger cars, nicer houses, higher pay, in real terms -- many of these illusions now have fallen to pieces, especially since the oil price quadrupling.

MOYERS: That's interesting talk coming from a man who began his political career as a socialist.

SCHMIDT: Well, I'm still a Social Democrat. I never called myself a Socialist, so I -- we are calling ourselves the Social Democratic Party of Germany. I started that -- my -- when I entered political life I was a Social Democrat. I'm still a deeply convinced Social Democrat.

MOYERS: What accounts for the fact that there is so much political instability in the West? In the last year, if my figures are correct, all but two of the NATO governments were changed, including my own country, the United States -- why has there been so much of this turmoil and instability?

SCHMIDT: Well, I don't believe that changes in government are a characteristic of only the last few years or the last five years. I mean, democratic societies, states who are organized in a democratic fashion have inevitably a number of -- a percentage of failure, which you have to take into -- a democracy is not a thing without any inbuilt failures, inbuilt mistakes inbuilt errors. For instance, the fact that only that man gets to the top who makes himself eligible to the public, to some degree, to flattering the public, by some degree, to telling the public that he is going to fulfill the wishes of people,

is an inbuilt danger for democracy and look to a country in the neighborhood of Germany -- Italy, for instance, or France before DeGaulle came to office; they have had changes in government every once in a quarter of a year. It's not so extraordinary. It's extraordinary for the Americans. That's for certain. And, therefore, you are now, you are now seeing parallels between the recent development last year in Washington and in other European countries but the fact is that many European countries have had changes of government much more often than in the United States but that does happen only and can happen only, normally speaking, every once in four years.

MOYERS: Is part of this, as you were saying earlier, that great gap that exists between what people expect and what governments realistically can do and if that's so, are we in for a constant state of tension between the governed and the government.

SCHMIDT: I think that this is a very interesting question. But the fact that governments are so often changing in the European democracies has not so much to do with that fact but has much to do with the fact that we have Parliamentary governments all over Europe. And that, with the exception of the United Kingdom of Great Britain, in all the other countries, you have more than just two parties. So every government needs to form a coalition of parties beforehand on which basis, then, the government is being funded. And these coalitions are fragile, and they break much more often. The personality of people in Parliament plays an enormous role, whereas in the Senate or the House in Washington, the President might be very unpopular but they can't send the President out of office. Normally.

MOYERS: Normally. When Walter Lippman died, he was writing his twenty-sixth book, I believe, and he had tentatively called it "The Ungovernability of Man". Do you think that's a reasonable assessment of the state of the West today?

SCHMIDT: I understand the attitude which is being expressed by that phrase. On the other hand, if I believed that it was true, how I could maintain my present office? I really don't believe that it is true.

MOYERS: I've heard that you were especially inspired, somewhere in your career by Thomas Jefferson and Pope John. Is that true?

SCHMIDT: I think the quotation is not quite correct. I remember that I was asked to whom I look most in the history of mankind as to men after whose example you tried to shape your own philosophy or your own life. And it is true that I praised Jefferson because of his learnedness and his, at the same time, his ability to act practically and pragmatically. And it's true that I named Pope John because I think he gave a grand example to mankind in the field of tolerance, religious tolerance.

But I also named a number of other people. For instance, the ancient Roman emperor Marc Aurelius -- Marcus Aurelius, not for his deeds as a leader in wartimes, but because of his philosophy and I certainly named two German Social Democrats who suffered much in the Hitler time. One, I think, is known to a number of Americans called Kurt Schumacher who came out of the concentration camp at the end of the Nazi period and was a formidable leader of the German Social Democratic Party until he died early in the 50s. And I also named another one who probably will be unknown in America who died in the Nazi period, by the name of Henry Julius Laver.

MOYERS: You mentioned the Nazi period and Raymond Aron, the French journalist, recently wrote that Willy Brandt was the last German Chancellor to be influenced, if not determined by the memory of the Nazis and their crimes and that Helmut Schmidt is the first truly modern German Chancellor in the sense of having not been directly influenced by the memory of the Nazi regime. And I was wondering, how did those years affect you?

SCHMIDT: Well, this is wrong. If Raymond Aron wrote that, he is mistaken. There

is some truth in what he says insofar as there is an enormous difference between the political generation of Willy Brandt and mine. He is only five years older than I am. He is sixty-one and I am fifty-six but it means, in practical terms that when the Nazis came to power in 1933 he already had founded his conception of the world of the political and social structure of a society; at least, he had ideas of how a society ought to be organized, what social justice meant in practice, what democracy meant in practice; whereas I, five years younger than he, at the time the Nazis came to power was fourteen years old, just a boy, schoolboy, playing football in the afternoon; just beginning to read a little and people of my age had a great difficulty during these twelve Nazi years in which we grew up and became soldiers and were marched over all theaters of Europe in the War. We had a great difficulty to educate ourselves -- some of us earlier, some of us later understood that what the Nazis tried to tell us was wrong. It was not so easy to understand that they were wrong. And it was even much more difficult to understand what was right. Because you didn't have any access to books. You didn't have any access to people from abroad, to foreigners, to Americans or English people and it was more or less very dangerous to talk freely between youngsters of the same generation and ask questions from each other.

So, in some form, Aron is right. One can say that despite the difference in only five years in age, we are belonging to two different political generations but he is wrong if he seems to imply that people of my age have not fully understood the atrocities, the dangerous philosophies, the crimes, and have not suffered from all the Nazis did in that period.

MOYERS: Do you think your people have put those memories behind them?

SCHMIDT: No. I think this, again, is a question of generations. Look, my daughter is now 28 this year. She will be 28. She was born in '47. She knows about the Nazi period only by what she has read or what her parents or her elder relatives or elder friends might have told her or her teachers. She has, of course, a very different conception of the period which we ourselves have lived through. But this is normal. And so, her generation, I'm quite sure, has no memory at all of the Nazi period. For them, it is historical knowledge. For me, it's a part of my life. It's quite a difference. People of my age or of the age of Willy Brandt who had to leave Germany in the Nazi period because he was -- and they did try to get him, put him into jail -- for people of the elder generations, it's impossible to do away with that memory. But for us, it's memory. It's practical experience which we know ourselves. For the youngsters, it's historical knowledge, not much more actual let us say than what they know about Bismarck.

MOYERS: It's said and it may be a cliché, but it's said that this is one of the reasons the German people continue to lack the self-confidence they once had. Is that accurate?

SCHMIDT: Do I make the impression of lacking self-confidence? Do the Germans....?

MOYERS: No. But you're the Chancellor.

SCHMIDT: Do the Germans as a people make that impression? I think it's a cliché. You're right in saying it's a cliché. I think it has been true in the first ten or twelve, maybe twenty years after the war. We are now thirty years after the war. The great majority of Germans living now were not born before the end of the war.

MOYERS: But Henry Kissinger and others keep saying that we're being told by people in Washington that they overestimate the Germans own estimate of their power; that the German people don't really realize they're as important in the world economy as Washington tries to think Germany is.

SCHMIDT: Well, the German leaders, political leaders or the leaders in the industrial or banking quarter of the society, I think we, all of us do understand our economic role in the world of today very accurately, and thereby also the political weight of what we do or not do.

On the other hand, we, from time to time, have reason to ask our American partners not to arrive at false conclusions. They look to our economic performance. Our low rate of inflation and our enormously healthy balance of payments, our constant reserves and all that, our economic policies and it seems good and it is good, I think.

But they arrive at the wrong consequence that as this seems to be good and sometimes even better than the performance of the United States, we are as powerful as you. This, of course, is totally wrong because the weight of volume of the American economy, as a whole, is five times as big or five times as heavy as is the German economy. Our income per capita is merely, in real terms, equalling merely the income per capita in the United States but you are a people of, I don't know, two hundred thirty million at present -- we are a people of sixty, sixty-two million. And even if the output per capita or the standard of living, the average standard of living might be at the same height, nevertheless, we are five times as small as you are. And this sometimes is not seen and thereby, sometimes Americans tend to overestimate our capabilities.

MOYERS: What accounts for what happens to an outsider to be great social stability in your country?

SCHMIDT: Well, I think in the elder layers of our society, the memory of the Nazi period and of the Weimar Republic, which failed in 1933 and the will not to embark on the same mistakes a second time plays some role.

Specifically, it does play an enormous role in labor relations in Germany. If you compare the, let us say, number of strike days per capita or per hundred thousand workers in Germany, if you compare it with America or with Britain, or Italy, France, Belgium, whatever you take; you will see that there are industrial countries of more or less the same type of industrial democratic society which have a few thousand percent more strikes than we have in this country.

MOYERS: Why is that?

SCHMIDT: We have a united labor movement. This is one of the very great achievements.

MOYERS: There's no competition within the labor --

SCHMIDT: Very little. Very little. And the labor unions have a great say in the German society. And we are from period to period trying to enlarge their influence. And legitimate their influence.

MOYERS: What was it that wiped out the competition within labor circles?

SCHMIDT: This was one of the real great achievements after the Nazi period that the labor leaders of that day, 1948, 1949, among themselves decided to really draw the consequence from what they themselves had, to some degree, what they had themselves had done wrong before the Nazis came to power and -- their competition among themselves, politicizing of trade unions and the rest -- and they decided not to repeat that error and to form one united labor movement. And the political parties, including Adenauer who was a very conservative man in all of his ideas, more belonging to the 19th Century than to the 20th Century, but even he responded to that; it was under Adenauer's rule as early as 1952 that we introduced by law in our Parliament, what nowadays is -- used to be called 'codetermination'. We introduced codetermination at the boards of any steel and coal corporation in Germany; which means that since twenty-two years, the delegates of the labor people have the same amount of influence in the board of that corporation that have the shareholders.

MOYERS: Some people, some of your critics say, that you've actually brought so many trade unionists into your Cabinet that they are, in time going to represent an impediment, an obstacle to government, just as the labor unions do in England. Do you think that's a valid criticism?

SCHMIDT: No. I think it's ridiculous. I have taken into the Cabinet people whom are regarded to be able to perform what had to be performed and it's quite clear that the Social

Democratic Party of Germany, which has lived in symbiosis with the trade unions a hundred and twelve years -- a great affiliation and affection and which is rooted in the same historic line as the trade union movement in our country and which depends, in the present as in the past, on the membership or the voting of the same kind of -- same type of people, it's absolutely natural that among the leadership of the Social Democrats a great number of trade union leaders are, have their, find their task and find their, find their, how do you say this --

MOYERS: Mandate?

SCHMIDT: Yes, get their, yes. And it is true that this Cabinet now long consists of even more trade union leaders than any other Cabinet before our time. But it has something to do that I brought about to some degree a change of a typical intellectuals in government who understand much, very much, good insights, change to some degree to the type of man who understands also quite enough; but maybe can't express it so lucidly in their language or their speeches but who are used to do the thing. And I wanted people who are used to change a situation; not so much people who are able to lucidly analyze it.

MOYERS: I was at a university in America not long ago and was mentioning to some of the students that I was going to be meeting you in Bonn and one of the students said, would you ask a question for me? I said, well I'll try. He said, ask the Chancellor of Germany, is it still necessary for American troops to be in Germany? And if it is, how long does he think they ought to be there?

SCHMIDT: Well, I guess that's not only a question of your friend but a question of many Americans.

MOYERS: Oh, yes.

SCHMIDT: And I have known Senator Mansfield, for instance, since eighteen years now, and he's been asking that question. Not only asking the question -- giving the answer as well. I'm quite aware of that and so are other Europeans. Let me tell you this. The responsibility for maintaining peace in the world and orderly conditions for the life of people in the states among themselves -- the responsibility for maintaining that is very great, is the greater the greater a country is. The United States, like the Soviet Union are the most -- those two are the most powerful countries in the world. They are going to remain the powerful countries for a number of decades to come.

The Soviets are right in the middle of Europe quite formidable military forces. They are not frightening us -- to march into our territory. I don't believe that. But just in case, that somebody would not behave as they might have wanted him to behave, they, at some point in the future development might hint to the fact that they have those sources there. At least from time to time, they have reminded East European leaders of their military presence. I recall too, their marching into Czechoslovakia or Hungary and from that point of view, it's, I think, and the self interest of the United States in order to serve their worldwide responsibilities, to maintain the balance... The other superpower has troops here in Europe and formidable armor -- which doesn't belong, which properly does not belong in this place. It's not their territory as long, I think, also the United States should, to some degree match that and thereby create in the minds of Europeans, of West Europeans as well as East Europeans, as well as in the minds of people taking decisions in the Kremlin; they have to some degree, to match that presence.

MOYERS: You used the term 'super power'. You've never used that in regard to Germany, of course, but you did recently refer to Germany as a world power. What did you mean by that?

SCHMIDT: No, I didn't. I was asked whether I regarded Germany to be a world power and I said, no I don't.

MOYERS: We make mistakes too on this side of the equation. What did you mean? What is

Germany's power in the world today and what is its role?

SCHMIDT: There are different measures in different fields. If it comes, let us say, to military strength, we are, by any means, to be regarded as a medium power, a state of medium importance. And the spot in Europe of a little bit greater importance, with no bearing to situations, critical situation in other parts of the world, our military importance is nil.

If it comes to, let us say, world economic structure, and the necessary joint endeavor of the leading industrial states to form it, to get it at the right course, to avoid, let us say, world wide recession dropping into world wide depression, then, of course, we are a power of great importance because people know that we understand it. They were given examples of being able to take our own economic decisions and show that our performance in the end, the effect of these decisions is what we wanted them to be.

It comes to, let us say, the order of the world monetary system, we are a state, which after the United States is of second greatest importance, I would guess.

MOYERS: Well, how have you been able to manage your economy so successfully?

SCHMIDT: Well, by following the necessity of putting the consequences from economic reason into political decision.

MOYERS: I don't understand that. What do you mean?

SCHMIDT: Well, for instance, in '73, early in '73, when not only Germany but other countries in the world as well were overflooded by U.S. liquidity by the very fact that the United States had incurred enormous deficits in your balance of payments for a number of years, we came to the decision it was not any longer possible to maintain the Bretton Woods system of fixed par values between our country and yours. Now, we cut the ties. We did this in a session, which provided understanding among all the partners; it was not becoming a prestige affair, really; in a diplomatic way, we were very lucky to, on the other side of the Atlantic, not have as a partner for conversation and negotiation somebody from Texas who has been Foreign Secretary in recent years but a very very gifted and great man, I must say, I regret that he is no longer an officer, I'm talking of George Shultz. At the same time, the present day, the President of France Giscard d'Estaing was Finance Minister in Paris. So the three of us brought it about.

But in joint action and in agreement with the rest of the great, economically speaking, great states of the world, so, this is one little aspect. The others, in '73, right after that operation, we took the opportunity that we no longer had to exchange Deutschmarks for any American greenback. We took that opportunity and raised taxes in Germany. We put an additional tax, ten percent on the income tax of the lower, middle, and upper middle and upper classes.

MOYERS: And the people took it?

SCHMIDT: Yes. They had to - the Parliament accepted it.

MOYERS: Does the United States have anything to learn from the way you and your colleagues have managed the German economy?

SCHMIDT: Well, the situation is different than any country. The economic structure, the social structure is different than any country. It's always, I think, meaningful to study what other people do and how they solve their problems. It's possible that something is also to be learned from Germany but I would rather that this be found out by your compatriots than appear as a teacher or as a professor.

MOYERS: Do you think we're both right to be fighting recession at the moment over inflation?

SCHMIDT: I think that the United States was wrong in two rounds. First, at the end of the 60s and the first few years of the 70s, you had to stop that enormous gap in your

balance of payment, and had to fight inflation. You didn't do that in due time.

Secondly, I think you should at least, at long last, I correct myself, have started to do so, after the Bretton Wood system of par values of countries was done away with, after we entered the new world of floating exchange rates. You didn't do it.

Now, in '74, or in '75, I think, it's too late to put all the emphasis on the basket where you fight inflation, in the theater where you fight inflation; it's now necessary to fight the recession and I'm fully in agreement with the basic change of economic, political trend, which has now been engaged in by your President a few days ago.

MOYERS: What's happening in this country, and the fourth quarter, 1974 figures were just released last night. We have output of goods and services falling and the rate of inflation still climbing. How do you deal with that situation?

SCHMIDT: Well, it's a complex situation. Not foreseen in the textbooks at economic universities and not even foreseen by John Maynard Keynes. But nevertheless, you have to deal with that situation and you might -- well I'm not giving advice, so I'll shut up.

MOYERS: Well, let's assume that it's another country that's facing this unusual historic phenomenon. What should be done, as an economist, not as the Chancellor Germany?

SCHMIDT: Well, you can't always, at the same time, serve four aims. You can't serve at the same time the aim of full employment or, at least high employment and of stable purchasing power of your currency and of the stable growth of your upward and what have you not a balanced -- a balance of payment, even balance of payment. It's impossible to -- at the same time fulfill all these four targets and to hit all these four targets. You have to decide what, at present, is your greatest need.

It seems to me that nowadays, unemployment and recession is getting to be the widest need in the United States, and therefore you have to devise your current economic strategies in order to hit that target more than others.

MOYERS: Do you think that the world is on the verge of a global economic crisis, like that of the 1930s?

SCHMIDT: Well, that was not a crisis. That was a depression. Crisis means a situation, a critical situation in which things can take on another turn but must not necessarily, we are in a worldwide recession, anyway. We are in a very dangerous, economically speaking, very dangerous situation as regards all crises and the monetary and -- balance of payment-wise consequences are that our job at present is to prevent that situation, to turn it into a structure of lasting depression, depression-like situation; it's absolutely different from the situation in 1930 or so and I would not like to compare it with that because it's misleading.

MOYERS: Are you confident that the nations of the world and particularly the West can meet this situation now?

SCHMIDT: I have gained in confidence since President Ford came to office.

MOYERS: Why is that?

SCHMIDT: Because the former President was unable to act.

MOYERS: Were you apprehensive during that period of time when the United States was not acting?

SCHMIDT: I wouldn't say apprehensive. But I just was sad.

MOYERS: In this period of time, what sacrifices are people going to have to make, if any, in the West?

SCHMIDT: Well, the most important sacrifice is to give up illusions about future

development. It's not so necessary to sacrifice, let us say, one or two or three or even five percent of your standard of living of your real income; that's not the real thing.

What is necessary is to give up the illusion that your real income will increase by three or five or six or even eight percent in some of the countries every year. This will not be repeated.

MOYERS: What's going to happen when you tell the German people that --

SCHMIDT: I have.

MOYERS: They have been accustomed to an ever-increasing standard of life, to materialism at a level above that of most of the Western world for so many years now. Are they going to listen to you?

SCHMIDT: Well, they are listening. But some of them are taking the -- are arriving at the consequence to wait for the opposite party.

MOYERS: And we're back to the first question.

SCHMIDT: Sure we are. But this does not prevent me from telling the truth.

MOYERS: How great do you think is the danger of another war in the Middle East?

SCHMIDT: Oh, I have, I have a judgment on that but I'm not going to answer your question, sir; it's great enough.

MOYERS: Do you think that the European nations can leave the Middle East, more or less, to Kissinger and the American intervention?

SCHMIDT: That does not depend on the European nations, so much; it depends on the United States -- whether they want anybody else to have a role there.

MOYERS: At the moment, they don't seem to. Do they?

SCHMIDT: Maybe. I...

MOYERS: Why were so many Europeans disturbed by the Secretary of State's recent statement concerning the use that, concerning his inability to rule out the use of force in the Middle East?

SCHMIDT: Well, I think it's not a personal ability of Dr. Kissinger. I think one cannot totally rule out the use of force might occur. I think the wording, at least, the terms of which it was brought to the people -- in European newspapers, in German newspapers especially, I didn't -- I really haven't seen the original English wording of --

MOYERS: Were you alarmed by what you read?

SCHMIDT: No. I was not.

MOYERS: In Adenauer's day, Chancellor Adenauer's day, Mr. Chancellor, Germany had a special relationship with Israel. It had to do, I'm told, partly with the past, and a sense of particular responsibility. Does that still exist?

SCHMIDT: It has changed. If there has been a special relationship with Israel, it was not so nice; at least, not from our point of view; I'm not talking of Ben Gurion. I'm talking of the general mood of the public mind, the public's mind in Israel towards Germany that has the -- it has become much more normalized in the years since then -- Adenauer left office eleven years, twelve years ago; and it has changed. It has become much more normal. But still, of course, Jewish people, old Jewish people will never forget what they have gone through and some of them might still hold the German nation as a whole responsible for what they have gone through. I have full understanding for that.

We have over years and years and years fulfilled the promises Adenauer had made to Israel despite the fact that, for instance, my party at that time, was in opposition to Adenauer by the way he honored his commitments. We still are doing that.

MOYERS: What does the term 'interdependence' which everyone is using so extensively today, mean to you as an economist, as a former Defense Minister, as a former Minister of Finance and now as the Chancellor of a country that is looked to as one of the power, economic powers of the world? What does the term 'interdependence' mean?

SCHMIDT: I don't know whether I -- whether I'm aware of the original meaning of the word in the English language. It seems to me that's a sort of an artificial word, created, possibly only in the last twenty years or so.

When I am using that word, which I do, in all the fields you were talking of, security, economy, and military, and foreign policy, all these things, if I use it, I, by using that phrase, try to make people understand that I believe that problems, certain problems, let us say, in the monetary field, cannot be solved for one country only by itself by its own legislative body or its own administration.

Because while we decide it will have, of necessity, repercussions in the neighbor country and in the United States and, let us say, in Japan, or where else, and that we depend on each other, and that what you do will have effects upon us and others and what we do will have effects on you and on others and that we, therefore, take into account, before acting, what the effects on our partners are going to be and before acting, not only taking, to take into account the effects, and the side effects, which sometimes are of greater importance but also talk to the other people and ask their opinion. And if you can't talk to them because they are on the other side of the aisle, as sometimes vis a vis Communist states, at least try to put yourself into the shoes of the other guy, or to understand his situation.

Interdependence, I think, the word tries to signal to the man who reads it or who hears it to signal to him: be aware that you, that is forbidden to act just upon your own understanding of your own interest.

MOYERS: Thank you, Mr. Chancellor.

ANNOUNCER: For a transcript please send one dollar to Bill Moyers Journal, Box 345, New York, New York 10019.

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