banks, are leading the push to advance shareholder value methods in German industry, as German banks adopt the British approach.

The largest such fund is Deutsche Bank's subsidiary, DWS. Dresdner Bank and the other large German banks have such funds as well. The result is a split with the 100-year tradition of the German "Universal Banking" system, in which large industry and big banks were linked by permanent shareholdings, and in which the bank often would step in to rescue one of its large company clients from shocks such as the 1994 Metallgesellschaft financial derivatives crisis.

Increasingly, these same banks are now demanding savage cost-reduction from companies in which they hold large shares. "At this point, no publicly listed German company can afford to ignore shareholder value," said Hamburg company consultant Klaus Rainer. The huge oil and chemicals group Veba AG recently hired the Boston Consulting Group to advise on maximizing "value." The outcome was the short-term decision that investment in the future will go only to those units where cash-flow earnings are larger than capital costs. The rest would be cut off, closed, or sold. In its Huels subsidiary, Veba cut 12,000 jobs as a result, and the Veba stock price began to rise on the Frankfurt Stock Exchange. Shareholder value was prime.

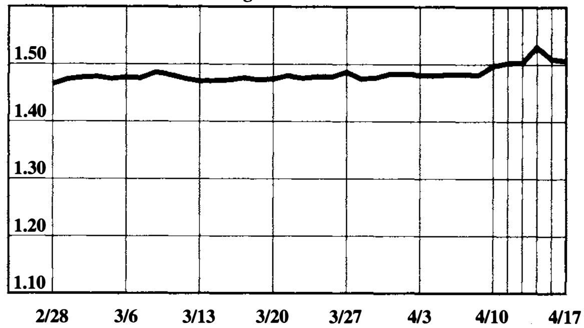
Ironically, the banks and insurance firms which have pushed shareholder value upon German industry, are among the companies on the stock exchange with the lowest "shareholder value" returns themselves, meaning that they will come under increasingly severe pressure, as well, to "take their own medicine," leading to a vicious downward cycle of layoffs in Germany. Leading German management consultant Roland Berger calculates that one result of this growing pressure will be a further permanent loss of 2 million jobs in Germany in the coming months.

In conservative French banking and business circles as well, the shareholder value revolution has begun taking its toll. French banks and industry have long had cross-ownership, similar to what exists in Germany. But last summer, when France's Banque Pallas-Stern was failing, its largest shareholder, the giant Elf Aquitaine SA, refused to help out, despite a plea from the Bank of France. Elf Chairman Philippe Jaffre is a firm advocate of shareholder value, and helped collapse the troubled bank by selling Elf shares. Jaffre told press, "I only had in view the interests of my shareholders. This bank is not my problem." The large Groupe Suez in Paris is also employing the shareholder value method, as are other large French companies, driven by fear of losing favor with the global financial funds that can buy or sell on a moment's notice.

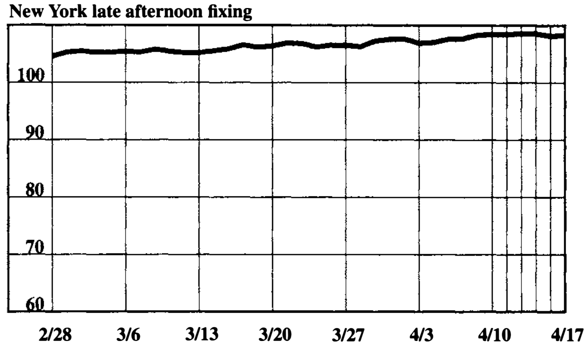
To date, unions in Germany and France are too stunned and terrified by the record 11% unemployment levels to even challenge the shareholder value destruction of industry and jobs. It remains to be seen how the U.S. debate changes that in coming months.

Currency Rates

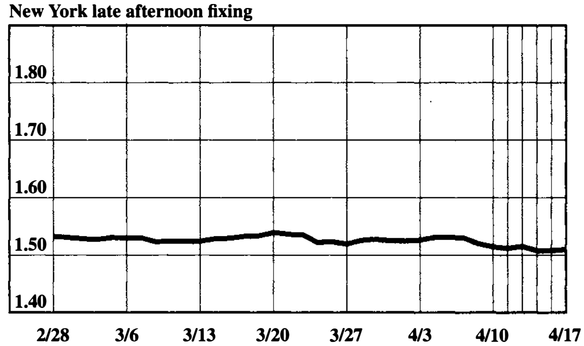
The dollar in deutschemarks
New York late afternoon fixing



The dollar in yen
New York late afternoon fixing



The British pound in dollars
New York late afternoon fixing



The dollar in Swiss francs
New York late afternoon fixing