Report from Bonn by George Gregory

The real jobless level

Behind the statistics, the bottom is falling out of the recovery—a recovery that had never materialized to begin with.

Nominal unemployment dropped in West Germany in March from a rate of 10.2 percent to 9.8 percent, or 2.386 million, 180,000 less than February. The only areas to show any increase in employment were agriculture, forestry, tourism, and social services.

The perverse British example of "job creation," hiring a few thousand unemployed for a few months to arrange the flowers in local cemeteries, was tried in a few West German cities.

Unemployment in all industrial sectors continued to climb, despite the election propaganda which the government, the central bank, and business associations continue to issue about the recovery.

The chief industrial cities of the Ruhr region now run crisis rates of unemployment of 14 percent or over.

The major steel centers of the less fortunate Saarland now have over 17 percent unemployment. The northern ship-building city of Bremen is over 13 percent.

The March unemployment statistics, however, merely reflect the effect of the collapse of industrial orders in February, by 10 percent on average relative to January.

The impact on unemployment would have been far greater but for the March 6 elections, because firms were hardly anxious to launch waves of layoffs, wiping out the already thin veneer of credibility of the newly elected Christian Democratic-Free Democratic government.

Production and employment had been coasting temporarily on the rapid accumulation of orders over the last months of 1982, caused by the rush by firms to take advantage of the 10 percent "investment grant" program legislated under the Schmidt chancellorship.

The government agreed to cover 10 percent of the cost of investments of a firm over the average volume of investments for the past three years. No one expected the Schmidt program to cause a recovery, but the Kohl government took advantage of the slight breathing space it offered to proudly hail the new wave of confidence and optimism in the country.

In February, overall orders fell 10 percent; domestic orders for manufactures dropped over 11 percent, and overall orders for investment goods nosedived 15.5 percent.

The German Machinery Association reports an overall decline in orders of 19 percent, but, more impressively, an outright collapse of domestic orders by 39 percent!

As a spokesman of the association told the author, "after the investment-grant program, investors are simply 'spent out.' "

That record for machinery orders in February puts the backlog for 1983 at this time 11 percent below last year, when production dropped somewhat more than 5 percent because of the collapse of exports which was only really felt in the second half of 1982.

That drop, said the association spokesman, "is less severe than we exected."

Domestically, where there is supposed to be an export-independent recovery (in a country 40 percent dependent upon exports), incoming orders are currently 16 percent below last year's levels, and export orders are down 9 percent.

The export performance of the machinery sector and industrial sectors generally would already look far worse, were it not for one exceptional factor: everyone in Europe, and particularly in France, which takes a grand 13 percent of the Federal Republic's total exports, knew that there would be a parity realignment in the European Monetary System, and so there was also a temporary rush to place orders for West German export goods before they became more expensive.

So February orders for machinery increased moderately by 4 percent in February over January.

The grace period for the Bonn government to claim that the reputed recovery would simply take time to have its effect on the labor market is now gone. Likewise, capacity-usage in industry is still dropping, from an average of 77.9 percent in 1982, to 75.6 percent in the first quarter of 1983.

The fall in industrial orders which set in in February now signifies that the financial strain of carrying 186,000 "short-work" operatives in machinery, 167,000 in construction, 120,000 in auto, and over 120,000 in steel is going to crack firms' budgets in the coming months.

One member of the council of economic advisers to Economics Minister Graf Lamsbdorff admitted to *EIR* that "we are still floating on election propaganda, but the day of the 'big awakening' is drawing near. We fear that it might well coincide with the severe strains on the international financial system which we expect around June."