Nation Is in Domestic Policy Paralysis

The government is entangled in fights on several fronts where public discontent is growing.

Many of the better-informed citizens were wondering, why Chancellor Gerhard Schröder published his rosy-colored "mid-term record" of achievements already in July—three months ahead of schedule. Some, like this author, concluded that he did so because he sensed that by late October, the situation would not allow the government to try to put over such a fraud.

And, indeed, the situation is getting turbulent: During the first half of November, the German market for "New Economy" stocks, the Nemax, lost more than 20% of its total asset value. Billions of marks evaporated, and the government's plans for a "pension reform" that would introduce private pension fund schemes, crashed along with the Nemax fall.

The plan was to sell the idea, that Germans would be much better off if their future pensions were based on speculative stock market gains, instead of getting paid an average standard sum every month during their retirement. But the reality of the financial markets has forced the government to postpone the pension privatization, until after the next national elections, in 2002.

On Nov. 14, the Schröder cabinet buried large parts of its increasingly unpopular pension privatization scheme, to avoid a defeat in the national parliament. At the weekly session of the Social Democratic Party's parliamentary group that same day, ten SPD legislators voted against the package. More SPD legislators declared that they have put their objections on hold, until they see the promised improvements. Had the pension plan been presented for a vote, the government would have lost.

The pension issue has caused considerable frictions inside the government, because the ecologist Greens are insisting on a rapid privatization of the state pension system, whereas the Social Democrats feel that they cannot risk their good relations with the labor movement, which opposes the reform. The fact that Frank Bsirske, the chairman of the public sector union, the second-largest union in Germany, opposes not only the plan, but also his own Green Party cabinet ministers, further complicates the situation.

The Greens have come under broad public attack. The health sector disaster created by governmental attempts to introduce U.S.-style health maintenance organizations, has made Minister of Public Health Andrea Fischer, of the Green Party, the most hated member of the cabinet. Every day, thousands of medical doctors close their offices to protest the health "reform." More than 8,000 doctors in the state of Hesse are treating emergency cases, and opening their offices for a few hours, but only to inform their patients about their complaints against Fischer. Medical personnel of clinics have taken to the streets in the bigger cities, protesting against Fischer. Despite patients' discomfort, the majority of Germans are backing the medical sector against the government. And, a majority of Social Democrats have urged the Chancellor to dismiss Fischer.

The Greens have tried to protect Fischer, by building counterpressure against SPD cabinet ministers, in particular those for Labor Affairs, Walter Riester, and Transportation, Reinhard Klimmt. Riester has come under attack over the pension reform plan, and Klimmt because of the disaster at state-owned Deutsche Bundesbahn (DB) rail company (see last week's *EIR,* p. 15). A Nov. 14 court ruling in Trier, which fined Klimmt DM 27,000 for an embezzlement affair from years back, forced Klimmt to resign on Nov. 16, "solving" Schröder's dilemma. Earlier, Schröder had begun to consider what his advisers told him, namely, that the only way out would be to fire all three ministers.

But neither Klimmt's resignation, nor the ouster of the other two, would solve the crisis; rather, it would destabilize the situation even further. Infighting among the two coalition parties would increase, because both sides would blame the other for the reshuffle. Moreover, the new cabinet ministers would face the same public discontent, because the Chancellor is unwilling to drop the "reform" of the pension system and the health sector, or the rail privatization. The fact that DB boss Hartmut Mehdorn remains, whereas Klimmt is out, indicates that nothing will improve in the rail sector.

Schröder is also unwilling to drop plans for the third phase of the highly unpopular ecology tax, which is to take effect on Jan. 1, 2001. The government wants the expected revenue, to pay its debt to the private banks. Schröder and his Finance Minister Hans Eichel are committed to balancing the budget by 2006 at the latest, and debt service has been given top priority. That is why the government gives priority to the "markets'" expectation, that the privatization reforms will make billions of marks available for financial speculation.

The increasing alienation of the government from the population is creating a situation, which will only be resolved if the entire government is replaced.