Report From Germany by Rainer Appel

Leaders Needed To End the Depression

The Chancellor prevails over critics, but that does not halt the economy's continuing decline.

A few days before the special party convention of the Social Democrats in Berlin on June 1, almost everything indicated that Chancellor and Social Democratic Party chairman Gerhard Schröder would receive majority backing of his party for his Agenda 2010 budget reform package. A crucial indicator of that in the ongoing conflict among the government, the SPD party left, and the labor unions, was the May 25 announcement by Michael Sommer, national chairman of the DGB labor federation and one of the most outspoken critics of the Chancellor, that with the national action day of May 24, the labor protests would be halted and not be resumed before Autumn. Also, many critics in the SPD have declared that they found their interests reflected in one or another modification of the original, largely "free-trade" Agenda 2010. The blackmail against the SPD party base by Schröder, who has repeatedly threatened to resign if his Agenda 2010 policy is not backed, apparently worked.

But, whether the economy will be pulled out of the deepening depression, remains unanswered. Agenda 2010 includes only two incentives, among all its budget cutting, for a remobilization of the productive potentials of industry. These are: talks about a partial suspension of the European Union's Maastricht budget ceilings, to allow the government to invest more in labor markets and infrastructure development projects; and a rather limited program of long-term, low-interest loans by the state-owned Kreditanstalt für Wiederaufbau (Reconstruction Bank) to Mittelstand (small and medium-size) firms, for projects to employ more workers.

Strangely, during the past two months of conflict over Agenda 2010, Schröder has preferred to emphasize not the positive aspects, but the budget-cutting. If that persists, the prospects for industry and the labor market are bad. As the labor unions have warned, another 100,000 jobless would result from the Agenda's proposed cuts. Fewer public sector projects, less state support for the public health sector, and cuts in subsidies to industry and farming will inevitably result in lower employment and consumption (again, causing more unemployment in the medium term).

The Chancellor's lack of priority on sound economic policies is mirrored in the criticism from the labor unions: the DGB's 27-paper alternative program, presented on May 8, treats the economic crisis as if it were merely a cyclical phenomenon, perhaps somewhat worsened by "geopolitical uncertainties," such as the Iraq war. In reality, a fact acknowledged even by an increasing number of establishment economic forecasters outside of Lyndon LaRouche, the world economy and the global financial system are heading into a dynamic even more dangerous than that of the Great Depression in the 1930s.

The DGB paper has been read as a sign of labor retreat and a foul DGB compromise with Agenda 2010. The compromise means that the DGB does not want to destabilize the Chancellor, although the main points of justified criticism are unresolved.

Intervening into the political fight around Agenda 2010, Helga Zepp-LaRouche, leader of the Civil Rights Solidarity Movement (BüSo), in a May 10 open letter circulated nationwide, called on the trade unions to come up with a real alternative economic program, which, through real growth and rising employment, can effectively secure the existing social security structure and the public health system. The trade unions, she stated, have to address the underlying causes of Germany's social-economic and fiscal problems: the systemic global economic and financial crisis.

In particular, Zepp-LaRouche urged the labor unions to look into the 1931 recovery program of Vladimir Woytinski, the leading economist of the German trade unions in the early 1930s, who advocated a state-run program of massive loans to the productive and consumer-goods industries, to increase employment. Also, then-government economist Wilhelm Lautenbach's September 1931 plan, proposing similar investment strategies. Updated for today's economic conditions, both proposals can serve as a basis for discussions about an international reform centered on a New Bretton Woods financial system and the Eurasian Land-Bridge, as proposed by Lyndon LaRouche.

The DGB-Schröder cease-fire provides a few weeks to lift the debate to a higher level, of the kind recommended in the BüSo open letter. But with Germany approaching an official 5 million jobless at year's end, a tense situation will emerge that will allow neither side to abide by their cease-fire. Germany has not had 5 million jobless since the Great Depression 70 years ago, and whether today's democratic system would survive—the democratic Weimar Republic did not survive the 6 million jobless of January 1933—is not at all guaranteed. Unless the BüSo alternative is seriously discussed, Germany will not be safe from political destabilization.