Report From Germany by Rainer Apel

Don't Reform Maastricht: Dump It!

European leaders have to finally abandon the nation-killing straitjacket of the Maastricht Treaty.

On Jan. 17, the finance ministers of the Eurozone Group, which includes 12 European Union members, held their routine session the day before the meeting of all 25 EU finance ministers, in Brussels. It was expected that the sub-group around France and Germany would have the upper hand, with its call for a "reform" of the Maastricht Treaty's budgetary straitjacket, and that this would have its impact on the all-ministers meeting on Jan. 18. What was not generally expected, was a defense of Germany's national interests by Chancellor Gerhard Schröder, published in an op-ed on Jan. 17 in the German-language edition of the *Financial Times.*

Schröder called for reform of the European "Stability and Growth Pact"—the Maastricht system, which limits government borrowing to a fixed percentage of GDP. He said that the EU has to urgently overcome any "mechanistic" interpretation of the Pact. A sound fiscal policy cannot be measured solely by the ratio of new borrowings to GDP, but all important economic factors have to be taken into account, before punishing a member state, Schröder wrote. In the case of Germany, the very large extra expenditures incurred by reunification obviously have to be included in the picture.

One also has to acknowledge, Schröder said, that the aim of reducing public deficits can collide with necessary government programs to foster growth and jobs. An overriding theme of Stability Pact reform, Schröder concluded, is the need "to pay more respect to the primary competence of member states for economic and financial policy." Interventions by European institutions into the "budgetary sovereignty of national governments" should be "only permitted under very limited conditions." Schröder said he expects that decisions on these issues could be made at the EU summit on March 22-23.

While Schröder received instant support from the French and Italian governments, he was criticized by the Dutch and Austrians at the EU finance ministers' meeting.

The German central bank's neoliberal hardliner Jürgen Stark attacked Schröder for undermining the credibility of the euro, and Edmund Stoiber, party chairman of the opposition Christian Social Union, called Schröder's suggestions "entirely unacceptable," and told the German daily *Die Welt* on Jan. 18: "What Schröder is suggesting is not reform but, in practice, the abolition of the Stability Pact." This, then, became the dominant tone in the economic sections of the German press, especially after the finance ministers' meeting in Brussels okayed the Franco-German-Italian initiative for a reform, with the March EU summit being projected as the deadline for decision.

What Schröder wrote was taken from an internal government memorandum, which begins with the following assessment: "The philosophy to rely, in a mechanistic way, on quantitative controls as the exclusive parameters of the Pact for decision, has failed." The idea to curb deficits by monitoring even fractions of percentages in budget increases, at the expense of defining broader objectives of monetary policies, has proven a dangerous illusion, the memo continued. Instead, the central aspect of a reformed system should be monitoring of the "entire development of the conjunctural cycle," with the aim of assessing its qualitative, rather than quantitative achievements or non-achievements, the memorandum stated, listing all the factors that are special for the German situation, which Schröder had referred to in his article.

Ironically, the governments of France, Germany, and Italy do not really want to be disloyal to the Maastricht rules, but are being forced to turn disloyal, because the deepening economic depression is confronting them with vast and growing unemployment and other social requirements that strain the national budgets. They would never want to abandon the system, and they categorically deny any intention to go beyond "reform" of some aspects of the Maastricht rules; but that very "reform," timid as it may be, does in fact undermine the system. The European Union has, therefore, now entered a process that will lead to abandonment of Maastricht, which could occur according to one of two scenarios: 1) the slow dying away of the rules, to a point where they exist only on paper, but are ignored; 2) a conscious decision by the leaders of the EU to scrap Maastricht and replace it with something better—for example with something of the kind which the LaRouche movement has presented, with its call for a return to national banking and gold-reserve national currencies, and to productive industrial credit.

A new poll shows that 59% of the German population would welcome a return to the pre-Maastricht system, utilizing the deutshemark instead of the euro.