

traffic around towns and cities, to protect inhabitants from noise and pollution.

### Other projects

About 20% of the funding envisioned in BVWP '92 will be spent for waterways (DM 28 billion) and public transportation (DM 76 billion). By privatizing air control, the German Treasury has dropped any financial support for air traffic.

Most of the projects concerning water transport have been held over from BVWP '85. They include regulatory measures on the Rhine, Main, Weser, and Danube rivers. With rare exceptions, new projects included in BVWP '92 will be situated in eastern Germany. DM 4 billion will be spent to upgrade existing waterways connecting Hanover and Berlin, and two river ports in Berlin. Another DM 1.15 billion will improve the Oder-Havel Waterway connecting Berlin and the Baltic seaport Szczecin. The Elbe River, the heart of the waterways of eastern Germany, will be regulated, but not channelized, much to the dismay of those involved in river transport and of those trying to upgrade the economy in Saxony.

### Speeding up construction

The DM 222.6 billion envisioned for investments include only those projects considered "urgently needed." If a project is included in the BVWP '92, the relevant authorities are instructed to start planning and preparation for these projects immediately. This does not mean that construction will begin soon, however. Construction will begin only after these plans have passed through a long queue of bureaucratic procedures, often prolonged by years of court battles launched by environmentalists and others. Some of the administrative and legal provisions have now been eliminated by the simplified planning bill.

This bill has been long overdue, and was drafted under former Transportation Minister Günther Krause. It will considerably reduce the time between the decision on a project and its realization, even if it eliminates only the worst aspects of the growing bureaucratic entanglements.

### 'Secondary' projects

Beyond the "urgently needed" projects included in the DM 222.6 billion allocation, BVWP '92 lists a number of projects that are "otherwise" needed, but are not on the immediate agenda. The authors of BVWP '92 estimated that such projects are "beyond the financial means for the next 20 years," and included them as backup options. Given current trends, there are only three scenarios that could lead to their construction before the year 2010:

a) other "urgently" needed projects cannot be completed, for example because of legal difficulties. In this case, the money allocated for those will be funneled to "other" options;

## Return to national banking to finance infrastructure

Under the currently prevailing "free market" ideology, governments may not use central bank money at zero or low interest rates to develop infrastructure, even if these projects are urgently needed. Instead, central banks circulate money by lending it at a certain rate of interest to commercial banks. If governments need money for investments, they have to borrow from those banks, paying more interest (in Germany, an average 8% annually in recent years) than the banks pay to the central bank. Even if the Bundesbank has to give a large share of its profits to the government in taxes, this method of financing means a gift of at least 2% interest in income to commercial banks. Instead of infrastructure development, it is spent for interest on debt and unemployment. Thus, a spiral develops: fewer projects, more unemployment, more expenses, more loans, more interest payments, fewer projects.

For example, the Treasury spends DM 25 billion, taking a loan at 8% interest annually for 30 years. Every year it pays back DM 833 million. After 30 years, the DM 25 billion has been repaid, but with DM 30 billion having been paid out in interest. For BVWP '92, with close to DM 500 billion in projects, about DM 600 billion will be spent on interest payments. The gift of 2% to the banks adds DM 150 billion. Annually, about DM 16.5 billion will be paid back, and DM 27 billion in interest will be charged.

If the Bundesbank would issue annually DM 25 billion free of interest as credit to the federal government *exclusively to finance these projects*, taxes could be reduced by at least DM 340 per capita, or the money could be spent to finance many more great projects.

—Alexander Hartmann

b) private investors raise the money to build these projects. The BVWP '92 states this option explicitly for the Transrapid magnetic levitation (maglev) train;

c) another economic miracle generates the financial means to go beyond the DM 493 billion limit.

The financial volume of the projects needed "otherwise" is more than DM 63 billion. Whether a project is considered to be "urgently" or just "otherwise" needed is determined by its cost-effectiveness. If the "profits" (including estimates for "environmental benefits" and the like) are estimated to be three or more times higher than the "losses" (again including