

# Germany's Lafontaine resigns, as economic reality strikes

by Rainer Apel

When German Finance Minister Oskar Lafontaine's decision to resign his post was made known through the news wires on March 11, the immediate response of many was surprise, particularly in view of the fact that he also resigned as Social Democratic Party chairman, and as a member of the national Parliament. The circumstances surrounding the resignation were peculiar: Lafontaine informed his boss in the cabinet, Chancellor Gerhard Schröder, by letter, and he did the same in respect to the party executive. After the letters of resignation were delivered, he was not available for public comment, and his close friends told the media that he had "decided to withdraw into private life."

Actually, Lafontaine's resignation did not come as a surprise to those who have kept a close eye on him in recent weeks and months. On one side, he certainly has turned into a victim of his own power ambitions—first, because he wanted to be a super-minister in the cabinet that was formed in October 1998. He was not satisfied with the Finance Ministry post as he inherited it from his predecessor, Theodor Waigel; Lafontaine also assumed additional powers in the sphere of economic policy and European Union affairs, from other cabinet ministries, particularly from the Ministry of Economics. The post of Finance Minister already being one of the most powerful, the authority that Lafontaine assumed with his superministry made him the most powerful man in the Schröder cabinet. But, here is the message for all other leading politicians in this time of deepening world economic depression and financial collapse: If you are not trained and conceptually equipped for a job in such a time of crisis, you will fail in the face of reality.

Reality—that is, increasing financial troubles, building social and political unrest, continual wars of nerves among the finance ministers of the Group of Seven governments over the future of the present global financial system, controversies inside the German cabinet, and other factors—took its toll on Lafontaine.

## The SPD's problems

One must keep in mind that power-hungry as he has always been, Lafontaine has always been a hedonist throughout his political career: The good life in a service economy, the promotion of an ecological society at the expense of industry and productive jobs (resembles U.S. Vice President Al Gore,

somewhat, doesn't it?), aggressive outbursts against political adversaries who held onto traditional values—all of that has been typical of Lafontaine. This author has witnessed the destruction of the traditional German Social Democratic Party (SPD) by Lafontaine, over the last 20 years.

Many, if not most, of the problems that the SPD has had over the last two decades have a name: Lafontaine. For him, the combination of a policy of budget austerity combined with ecologist outlooks always took precedence over the SPD's traditional solidarity with the labor movement. If, from the mid-1980s on, Lafontaine has not had big problems with the German labor movement (at least not in public), it was due to the fact that the union leadership turned ecologist, too. The project of forming SPD coalitions with the Greens, first on a municipal and state level, then also on a national level, was the brainchild of Lafontaine and numerous corrupt labor leaders who told Schröder to adopt the red-green policy, when he wanted to become SPD Chancellor candidate for the 1998 elections.

That march into the red-green alliance on a national level had a prelude: In 1995, a coalition among Social Democrats and Greens was formed, against heavy resistance from within the SPD, in North Rhine-Westphalia, Germany's biggest state, with about 20% of the nation's constituency. Also that year, Lafontaine made himself SPD party chairman through a coup, prepared by intrigues that moved acting party chairman Rudolf Scharping aside and kept Lafontaine's biggest rival, Schröder, out. This was to ensure that if Lafontaine did not run as the Chancellor candidate in the 1998 elections, he would at least define policies for whoever did.

The policy package that Lafontaine designed for the first red-green government that took power at the end of October 1998, was an outright disaster—particularly for labor and other SPD constituencies, most of whom are in the lower-income strata of the population. From the start, the government made clear: that budget-balancing was its first priority, that plans for an "ecology tax" package would be pursued despite broad public protest, and that there would be loyalty to the monetarist project of the European Monetary Union (EMU) despite the fact that it would kill more jobs. And, the government made clear that it would phase out the use of nuclear technology.

Against the background of increasing unemployment



*Oskar Lafontaine's (left) resignation as Germany's Finance Minister gives Chancellor Gerhard Schröder (right) and the Social Democrats an opportunity to break their alliance with the Greens and form a "Grand Coalition" with the Christian Democrats. It's an opportunity to drop monetarist policies and to join the "Survivors' Club."*



caused by the global financial crisis which had broken out in Asia, Russia, and Ibero-America, and that made itself increasingly felt during the last quarter of 1998, these two pet projects of Lafontaine—the EMU and the phaseout of nuclear technology—made him, apart from the Greens, the most hated man in the SPD. The Feb. 7 election for the state Parliament in Hesse, which voted out the ruling red-green government, was the first big shot against the red-green government in Bonn. Since then, Lafontaine has come under massive attacks inside the party and among the labor unions because of his austerity policies. Repeatedly, at party executive meetings as well as at meetings of the SPD parliamentary group, he showed signs of strain, lashing out against his critics in an increasingly hysterical way. By the end of February, it was reported that Lafontaine was close to resigning as Finance Minister.

The second week of March finally brought the resignation. It was a very turbulent week that began with a protest rally of 35,000 nuclear sector workers against the government on March 9, and the collapse of Chancellor Schröder's government-industry roundtable talks with leaders of the nuclear industry. The fact that Lafontaine had provided Schröder with false figures on the economic damage estimated to result from the anti-nuclear course, and that industry leaders had uncovered this hoax before Schröder's very eyes, made long-standing tensions between the Chancellor and his Finance Minister boil over. At the weekly cabinet session on March 10, an enraged Schröder confronted the cabinet with the fact that "the protest of 35,000 nuclear workers" and the resistance of the German industry against the ecology tax and the anti-nuclear course had to be taken seriously, because "we are witnessing a conjunctural downturn of the economy right now," he said. Schröder said that he would no longer tolerate

policies against labor and industry, and he threatened to resign. Actually, this is what he should have done right away, so that the red-green coalition could have been replaced by a coalition with the Christian Democrats—a "Grand Coalition," which is the preferred model among German voters.

### **The East German files**

Schröder did not resign, but Lafontaine did, the day after the cabinet session. But, the fact that he also resigned as SPD party chairman and as a member of Parliament, poses a puzzle. Was it exhaustion, under the strain of the triple job, which caused his abrupt departure, as many of the German media have hinted? Or, was there something else behind the sudden resignation?

During the week after Lafontaine's resignation, some of the German media began to leak that when Chancellor Schröder's top aide, Bodo "Bobo" Hombach, was in the United States recently to negotiate on the transfer to Germany of former East German intelligence files which the CIA had seized in the turbulent days of November 1989 through March 1990, when the Berlin Wall came down and the East German regime collapsed, Hombach learned that the files contained delicate facts about Lafontaine. All of this was instantly denied by the German authorities, naturally, but the leak, wherever it may have originated, refreshed many memories about what took place in those days before the final reunification of the two Germans.

At that time (late 1989-early 1990), Lafontaine fiercely opposed the unification of Germany, and he offered himself as an alternative to pro-unification Chancellor Helmut Kohl. Now, it is interesting to recall that, exactly because of that, Lafontaine gained massive support not only among the East

German socialists who were fighting for their survival as an independent regime, but also among those in the Anglo-American geopolitical cabal around British Prime Minister Margaret Thatcher and U.S. President George Bush, who (at least originally, in Bush's case) wanted to prevent German unification. In the spring of 1990, when Lafontaine arranged to be nominated SPD Chancellor candidate against Chancellor Kohl, Lafontaine had a lot of supportive coverage in the media of the English-speaking world—and also in France, which was run by President François Mitterrand, who opposed the reunification of Germany as well.

A knife attack, which Lafontaine barely survived, on April 25, 1990, abruptly ended his Chancellor ambitions. The background to this assassination attempt has never been revealed, and neither has the background to a shooting that almost killed Christian Democrat Wolfgang Schäuble, Chancellor Kohl's chief negotiator for reunification, a few weeks later. But the policy which Lafontaine and the Greens, who also vehemently opposed German unification, stood for, was voted out, because the vast majority of German voters in the December 1990 elections wanted to see Germany reunited.

For five years Lafontaine stayed in the background, only stepping forward again with the coup at the 1995 Mannheim SPD party convention that made him party chairman. With the increasing, unsurmountable problems which the pro-monetarist Kohl government faced during 1997 in the wake of the Asian financial crisis, Lafontaine's SPD won the elections of September 1998. However, Chancellor Kohl was able to place a time-bomb under the red-green cabinet, because in the spring of last year, several months before the elections, he took the highly unusual step of publishing secret government documents on the period of German reunification (see *EIR*, Aug. 14, 1998). That documentation addressed the fact that Kohl was coerced into accepting conditionalities on reunification—including the transfer of German economic and financial sovereignty to the envisaged European Central Bank, and the decision to drop German political and industrial opposition to the free trade, "shock therapy" onslaught against the post-1989 economies of the former Soviet bloc.

What the documentation only vaguely hinted at, was that the adversaries abroad of German unity, had supporters inside German politics. Kohl, throughout his political career, has always been careful not to say anything negative about the Americans, although he would have many reasons to do so, particularly concerning the Bush Presidency. And, whatever files the German government has that contain really delicate facts about Bush, Thatcher, and Mitterrand, have never been publicized. But those former East German files in the possession of the CIA, contain facts of this category, as well.

Therefore, when Hombach, as has been hinted at, noticed that the files he was interested in, contained facts on Lafontaine dating from exactly that period of attempted sabotage of German reunification, he may have reported that back to Bonn, maybe to Chancellor Schröder.

## Only a question of time

Let there be no mistake, however, that Lafontaine's resignation as Finance Minister was only a matter of time, because his policies have engendered widespread enmity against the government within the German population. But, it may well have been the leaks about those secret files that convinced Lafontaine to pull out now, and quit the other two posts as well, rather than wait. For the better parts of the SPD, and for German politics, his resignation can prove beneficial, whether those files are published or not: *if* the SPD can liberate itself from the alliance with the Greens, which Lafontaine forced it into, and *if* it can join with the Christian Democrats in a Grand Coalition, which would have a broad majority and popular support sufficient to correct the concessions Germany made in 1990, and drop the EMU and orient toward cooperation with eastern Europe and Russia, which Thatcher and Bush, with the aid of Lafontaine and his ilk, were able to prevent at that time. In short, Germany does have a chance to quit its job as deck steward on the *Titanic* of Western monetarism, and to join the "Survivors' Club" around China, Russia, India, Malaysia, and other nations that intend to defend their economic and political sovereignty in this protracted global economic crisis.

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