Anglophiles encounter resistance in Germany

by Rainer Apel

The defeat which the creditor banks suffered in the Nov. 24 deal that saved Philipp Holzmann, Germany's second-largest construction company, from full default, also was a "black day" for one of the prime levers which the City of London financiers use to manipulate economic affairs in Germany. The hostile commentaries that Chancellor Gerhard Schröder's successful intervention in favor of the Holzmann jobs received following the deal, occupied an estimated 95% of the pro-free-trade economic press. It reflected how big the bankers' embarrassment is. In the few commentaries supportive of Schröder, it became clear, however, that all that neoliberalist press coverage will not help the banks out of their present troubles: Bankers themselves have admitted, behind closed doors, that it was the groundswell of anti-bank sentiment among the population, and the threat of a change in banking laws, which made them realize that signing a guarantee for Holzmann's survival, was a "lesser evil" for them, in this heated situation.

All of a sudden, Germany's population is showing strong resistance against globalization, which is throwing them onto the unemployment lines. This ferment has been building since the end of the summer, and the severe election defeats for the Social Democrats (SPD) in September-October, at a time when Chancellor and SPD party chairman Schröder was still adhering to British Prime Minister Tony Blair's "Third Way" austerity policy, were an unmistakeable warning. From then on, a profound sentiment has been growing among Social Democrats to throw the pro-Blair "modernism" out and return to the party's traditional support for labor and a social "safety net." Pressure has increased on Schröder to cut ideological ties to Blair and to instead side with France's Socialist Prime Minister Lionel Jospin.

Granted, Schröder has been more than hesitant to heed these calls from within the party for a return to pro-labor policies, but his public remarks against the hostile takeover of the German Mannesmann company by the British firm Vodafone, and his surprise intervention against the banks in the Holzmann case, have moved the Chancellor several steps outside the Blair camp. This has been noted in the press of Britain and France even more clearly than in the German press.

Schröder's break with Blair is not yet complete, but the few steps that he has already made, have created a promising situation among the German Social Democrats, as well as between the governments of Germany and France. First of

German Chancellor Gerhard Schröder (left) and French Prime Minister Lionel Jospin, in Paris on Nov. 29, 1999. The growing ties between Germany and France are a repudiation of the "Third Way" policies of Britain's Tony Blair.

all, the SPD party executive has been flooded with initiatives from various sections of the party, calling for a reversal of the budget-balancing austerity policy of the Schröder government. All of this is to be debated at the special party convention in Berlin on Dec. 7-9.

Budget-balancing is an 'evil'

Budget-balancing at the expense of labor and retired citizens is appropriately being identified as an "evil" that has penetrated the SPD ever since Blair's "Third Way" has been courted by leading Social Democrats. This is certain to create some turbulence at the SPD party convention in Berlin. The environment for a break of the SPD with Blair's "New Labour" has been set, also because French Prime Minister Jospin will be the honored foreign socialist to address the convention. What would have earlier appeared as routine, because Blair has addressed the SPD before, is viewed this time as a factional gesture against Blair's policies.

The Jospin intervention in Berlin has been prepared by Schröder personally, not only because he officially invited him during their talks in Paris on Nov. 30, but because the Chancellor also prepared it in his speech to the French National Assembly that same day—becoming the first Chancellor of Germany to address France's parliament. Schröder identified France and Germany as the main political and cultural engine of European development; he spoke about close cooperation between the two nations in the field of aerospace technologies, and he explicitly endorsed Jospin's notion of the social welfare state. In earlier remarks to the press, Schröder commented on the British government's refusal to sign European Union legislation to tax of capital gains. The Chancellor warned that a situation in which important legislation that has the support of 14 of the EU member governments, is blocked by the veto of just one member government—the British—cannot be tolerated.

The response of the City of London bankers to this development has been a speculative drive to lower the single EU currency, the euro, even further, to near parity with the dollar, and concerted attacks on German banks especially. This strategy is short-sighted and will backfire against London, however, because undermining the euro will raise questions about the general course of EU policies.

The view is gaining ground in France and Germany, and also in Italy, that the Maastricht criteria for balanced budgets in the member-states of the European Monetary Union are becoming more and more of an obstacle to national economic incentives for production and jobs. Arguments for a change of the EU guidelines on the national budgets have recently become more popular on the European continent, and in addition, Chancellor Schröder has mentioned plans for an EU legislative initiative to ban hostile takeovers that threaten to eliminate jobs in industry.

Anglophiles, with their arsenal of neo-liberal arguments, are having a hard time these days.

Falling euro reveals bankrupt policy

by William Engdahl

Europe's nascent supranational currency, the euro, far from rebounding to new highs, as many European economists were predicting only two months ago, has dropped to its all-time low. On Dec. 2, the euro traded at 1.001 to the U.S. dollar, just above the parity level, representing a 15% fall for the new currency, created on Jan. 3, 1999 by the 11 founding countries of the European Monetary Union (EMU). On Dec. 3, the euro fell below parity.

"If the euro fails to stage a significant recovery by mid-December, there could be a devastating new round of euro selling soon," warned George Andersen, a European bank economist who had just returned from talks with U.S. investment fund managers. "Mid-December is the time when most American investment funds—pension funds, mutual funds, insurance companies—sit down and plan their new investment portfolio allocations for the coming year. If they see the euro ending its first year so weak, as a failure, they will decide to significantly cut back on investments in stocks and bonds inside the Euroland countries. This could then turn into a major crisis of confidence for the euro by early 2000."

Already, mutual recriminations are erupting behind the facade of Euroland unity. In a press conference on Dec. 2, the European Central Bank president, Dutch socialist Wim Duisenberg, blamed German Chancellor Gerhard Schröder, in effect, for the euro's weakness. Duisenberg claimed that the German government rescue of the Holtzmann AG construction firm from bankruptcy in late November, drove foreign investors away from the euro.

Far from the Holtzmann rescue, however, the fundamental cause of the euro's poor performance in its first year, is the continuing weakness of the 11 EMU members' economies, especially those of Italy and Germany. "Growth in Germany and Italy has been far weaker than markets had expected," said London economist Stephen Lewis. "In terms of the question whether the euro has been a failure, if we ask what benefit has a single monetary policy been to the diverse 11 member-countries of Euroland, then I would answer that their economies would have done far better without the euro, and hence, by that criterion, I would deem the euro a failure. Yet the euro won't collapse anytime soon, simply because the political will at the highest levels in Euroland to hold on to it is so strong. This means, unfortunately, that the economies of Europe are doomed to suffer for years to come as a result of the euro."