LaRouche and Hard Realities Drive Germany Closer to Reason

by Rainer Apel

With a burst in early August, reaction to the global economic-strategic crisis forecast by Lyndon LaRouche surfaced in Germany's federal elections. With unemployment soaring above 4 million (10%), "Franklin Roosevelt-style" depression-recovery measures and a break with the United States' projected war on Iraq—both policies fought for over several months by Helga Zepp-LaRouche's campaign for federal parliament—have become the leading national issues.

At a joint press conference in Berlin on July 29 with LaRouche Democrat and U.S. Senate candidate from Virginia Nancy Spannaus, Helga Zepp-LaRouche, national chairwoman of the BüSo party and candidate for Bundestag from Berlin-Mitte in the Sept. 22 national elections, put forward what, so far, no other political party in Germany has. She demanded action against the "financial crash and threat of war." This is the slogan on the BüSo's main election campaign poster, and the development of the political debate during the first few days of August has proven how much the LaRouche movement is on the mark with that slogan.

Amid increasing media reports and leaks about preparations and planning sessions at the Pentagon for a war against Iraq, and amid daily collapses of the financial markets worldwide, numerous politicians have begun to warn against the close tie between military adventures and a deepening of the global economic depression. A high point, so far, of this panicked debate occurred on Aug. 7, when German Chancellor Gerhard Schröder—who had so far mostly spoken of an alleged "upswing, the effects of which will only arrive later, unfortunately"—in an interview with the tabloid *Bildzeitung,* warned that a new Iraq war would lead to a "world economic crisis."

Create Jobs, Says Commission

Similarly, on Aug. 5, one of Germany's leading news weeklies, *Der Spiegel,* leaked the story that the government's Hartz Commission, named after its chairman Peter Hartz, had changed view on the issue of economic and labor market incentives, and is now considering a three-year crash program for the creation of 1 million new jobs. The jobs would be created through a special new fund in the range of 150 billion euros (about the same amount in dollars). The jobs are to be created mostly in Mittelstand—small to medium-size—firms, mostly in infrastructure development projects in the depression-hit eastern Germany.

This change of view comes as even more of a surprise because the Hartz Commission was originally installed by Chancellor Schröder in March with a different mandate. It was come up with something which would make people forget what he had said four years ago—that he would not deserve re-election if unemployment were not reduced below 3.5 million. Currently, official unemployment is well above 4 million. So far, the Hartz Commission's proposals on "reforming the labor markets" have centered on putting the squeeze on the unemployed by cutting unemployment benefits and tightening administrative procedures. This had been presented as an incentive for the unemployed, to force them to take the 1.5 million private sector jobs that are supposedly vacant.

As the economy is rapidly going down (and with it, as also shown by the latest opinion polls, Schröder's re-election chances), Hartz and other commission members apparently concluded that something else had to be done. So, concepts were taken up that had previously been developed only by Zepp-LaRouche. In several campaign statements, she had demanded that an economic policy approach be adopted along the lines of that presented in September 1931, at the peak of the Great Depression, by economist Wilhelm Lautenbach. In today's circumstances, that means using the Kreditanstalt für Wiederaufbau (KfW, Reconstruction Bank) for infrastructure and employment programs.

Amid the unemployment crisis, the German national election debate is suddenly echoing strategic and economic policies of Lyndon LaRouche—and of Helga Zepp-LaRouche, here campaigning at the head of the Civil Rights Movement Solidarity ticket for the Sept. 22 Federal parliament election.

A New Financing Mechanism

Now, Hartz is proposing that 150 billion euros for financing infrastructure, for the creation of new Mittelstand firms, and for the expansion of existing capacities at others, be raised by issuing special bonds, which he labels "job floaters." Hartz recommends that the program not be financed through normal state bonds, because they would increase public debt, and would thus violate the notorious "Maastricht criteria" (constraints on the size of budget deficits and government indebtedness, and therefore a factor which greatly hampers a government's ability to take measures to overcome an economic depression). Instead, Hartz says, the KfW should issue job-floater bonds. Raising that money would be off-budget, yet at the same time the KfW bonds would be state-guaranteed. In addition, there should be special tax incentives, which would make the purchase attractive for small investors—some sort of state-subsidized "workers' savings."

Hartz is also suggesting an amnesty for tax evaders who transferred capital abroad illegally, if they invest their returned flight capital in these KfW bonds. This way, a large part of the envisioned 150 billion euros for the Hartz plan would be generated, even by the return of only a minor share of the suspected 300-400 billion euros of German flight capital abroad.

The idea of turning flight capital into "infrastructure bonds," was developed by American 2004 Presidential precandidate Lyndon LaRouche in July, and published in the weekly *Neue Solidarität.* In parallel, Zepp-LaRouche called for "building a network of Transrapid lines" comparable to Germany's present rail network of some 12,000 kilometers. This "would create millions of jobs" in the construction and high-tech sectors, and "would cause a large jump in productive potential of the economy as a whole."

Investors who are fleeing out of the dollar or the stock markets, said Zepp-LaRouche, know that "in times of crises, ultimately, only state bonds are 'safe'—provided they are used for real investments in the real economy. Therefore, one way to finance a Transrapid net for Germany, or other infrastructure projects, would be to issue bonds for this purpose, in the amount of several hundred billions of euros through the KfW. Under present conditions, infrastructure bonds—state bonds limited to great infrastructure projects—are a possibility, to bring many billions of euros back into the real economy, thus saving them from being wiped out by the on-going financial crash."

Although the Hartz Commission is vague on the types of projects it is proposing, its surprising initiative is a step in the right direction. Such moves can only be encouraged, because they are urgently needed.