Germany

Current Policy Can't Stop Unemployment Rise

by Rainer Apel

Even with a new, "adjusted" statistical approach, national unemployment in Germany reached a 13-year high at the end of April, with 4,485 million officially registered jobless citizens, above 10% of the workforce. The steady increase—500,000 more since last Summer's election campaign—cannot be stopped without wrenching government policy away from obedience to the free trade and austerity enshrined in the European Union's Maastricht Treaty.

One major "adjustment": Germans who are—because of age, for example—no longer "expected" to get a new job, are taken out of the labor market statistics. Another has been to discount all those that are without a regular job, but take part in state-funded retraining courses. Formerly, this category counted several hundred thousand jobless; but nowadays, these special programs fall victim to the budget-cutters. Especially in the eastern states of Germany, where usually, 20% or more of the jobless were transferred to such programs, the budget cuts in this area have contributed to a disproportionate rise of unemployment. The five eastern states (Mecklenburg-Prepomerania, Brandenburg, Saxe-Anhalt, Thuringia, Saxonia), reported jobless figures twice as high as those in the western states, and the differences between regional unemployment figures in Germany are enormous: the western state of Baden-Württemberg has a jobless figure of 6.3%, the eastern state of Saxe-Anhalt, 21%.

But most recently, the steepest rise of unemployment has been observed in the western parts of Germany, notably in the big urban areas with a lot of bankrupted "new economy" firms, and with cutbacks in the banking and insurance sectors. In April, the increase of unemployment in the western states was 14.8% over a year earlier; in the eastern states, it was "only" 6.9%. A worrisome pattern for all of Germany is the increase of longterm unemployed, which in April was 13.3% above the level reported a year before. Another alarming development: 10.3% unemployment among Germans under 25 years of age, and the net loss of 70,000 apprentice jobs (because corporate budget-cutters want already available, fully-trained workers, to maximize productivity per capita of workforce, rather than train the workforce of the future).

A telltale sign of the direction of Germany's economy is the fact that whereas 1.5 million new jobless claims have been reported during the four-month period January-April, 614,000 of these were filed in April alone. What this accelerated wave of firings indicates is that for all of 2003, the average jobless rate will be at least 4.4 million, as the Institute of Labor Market Research forecasts in its latest review, which still assumes that during the second half of this year, a mysterious conjunctural recovery would occur. Other experts in the industry speak of an average of close to 5 million unemployed.

The dynamic of job extinction is outpacing everything the government has tried, to reduce the unemployment figures through special incentives. These "incentives" do not deserve their name, however, because they are based on the flawed assumption that the free-market economy is basically still functioning. Last Autumn, the government launched a program of co-funding the stimulation of new jobs through "personal service agencies," expecting the creation of 750,000 jobs. This has not worked: Experts now guess that at best, some 50,000 new jobs may be created by the end of 2003. Another special incentives program has been the "capital for labor" scheme, which initially did not look bad, because it involved low-interest special loans by the Kreditanstalt für Wiederaufbau (Reconstruction Bank) to *Mittelstand* (small and medium-sized) firms that created extra jobs for unemployed Germans. But that also was dependent on the "free market," and has so far created only 3,300 jobs during the January-April period; the government aimed for 50,000 by the end of 2003.

Before last September's national elections, the government was still talking about 2 million jobs that could be created through such programs, during the 2002-06 period. Today, politicians are glad when they can report the creation of a few thousand jobs. Against the overall trend of economic depression that features the net loss of at least 250,000 jobs every single month, goverment "incentives" to private firms are a total flop.n And, they are increasing the budgetary burden which they were believed to reduce; this year, the government has to make an additional 7 billion euros available to the National Unemployment Office to pay jobless claims. Less production and less employment means less tax revenue, and even more imbalance in the state budget.

The net loss for the German economy even at an average of 4.4 million jobless for 2003, is about 70 billion euros: 55% of that in unemployment checks; 45%, in loss of tax income. U.S. Presidential pre-candidate Lyndon LaRouche, in a speech to youth broadcast from Wiesbaden, Germany on May 10, said, "At that level [5 million unemployed], Germany can not balance its books. That is, the German government can not raise and spend sufficient tax revenues, to maintain society at its existing level." It can only reverse the collapse through long-term state credits for projects linked to Eurasian infrastructure development and technology transfer. This is Helga Zepp-LaRouche's and her BüSo Party's "Lautenbach" program: longterm, low-interest loans that are restricted to productive projects, in a clearly-defined context of economic development that improves the common good.