Germany Needs A Minister Tremonti

by Rainer Apel

The snail's pace at which Germany's elites discuss and decide, is a household commonplace throughout Europe, and the German way has negatively affected European affairs. Had Germany, being the main transit country on the continent, urged massive and fast improvements in European infrastructure in the early 1990s, the European Commission would not have passed a watered-down version of the original Delors Plan for Europe-wide projects in 1994, and waited another nine years before seriously considering an upgraded plan—the Van Miert Plan presented in Brussels on June 30.

The 22 new projects for rail, road, and waterway development in the Van Miert Plan are most welcome, but the 2003-2020 timeframe for their realization still reflects the bad recent German habit. It is in urgent need of a committed finance minister like Italy's Giulio Tremonti, who is pushing for a great projects initiative on the European level—funded through the European Investment Bank, outside of the Maastricht-controlled national budgets of the European Union's member governments.

But under the influence of its pro-austerity Finance Minister Hans Eichel, Germany still resists adopting a reasonable approach on economic policies—although (slowly) retreating from its longstanding monetarist hard line. Eichel has already been forced to publicly acknowledge that his Italian colleague Tremonti is moving "in the right direction, in principle." But for the moment, and likely under massive blackmail from the private banks which are the creditors of the indebted state, the German government has decided to waste time: Its three-day special session in Neuhardenberg on June 27-29, on financial and taxation policies, resulted in nothing more than the announcement that tax cuts projected for 2005 would be implemented already in 2004.

If he really does believe that these tax cuts will encourage firms to hire more personnel, the German Finance Minister has reached the end of his wisdom. His main problem now is to reduce corporate defaults and decrease jobless rates so that more taxes can be paid from a reactivated economy, to relieve the state of its EU 70 billion burden of jobless payments, annually. For this problem, the tax cut offers no solution; but adds another big problem, because it takes an extra EU 15 billion out of the projected fiscal year 2004 budget. And over the next six months, Germany will definitely cross the 5 million jobless mark, a record of dubious distinction since the Great Depression year of 1932.

Demand for Maglev Systems Rejected

Influenced by Eichel, the German government also made a big mistake, when coercing the Social Democratic/Green coalition government of North Rhine-Westphalia (N.R.W.), Germany's biggest state, to scrap the planned, already much-delayed regional 78 kilometer "Metrorapid" maglev train. That substantial concession to the Greens saved—for the time being—the N.R.W. "red-green" government. Its collapse would otherwise have triggered the collapse also of the red-green national government of Chancellor Gerhard Schröder. Eichel was not willing to make the required guarantee for EU 1.7 billion of bank loans that would have built the Metrorapid; on June 26, Schröder and Eichel talked N.R.W. Gov. Peer Steinbrück out of the Metrorapid.

This scandalous, shortsighted decision undoubtedly helped to create a more relaxed atmosphere for the government's special session in Neuhardenberg, but it also sparked protest and counteraction.

Already on June 28, Hesse Gov. Roland Koch called for the revitalization of the abandoned "third national maglev project," the 118 km connection between the airports of Frankfurt and Hahn. On June 29, numerous politicians across the party spectrum in the city-state of Hamburg urged bigger maglev projects like Hamburg-Berlin and Hamburg-Amsterdam.

On July 1, the Free Democrats in the Hesse parliament proposed expanding the Frankfurt-Hahn route to Luxembourg and Brussels, and on the same day, German Transport Minister Manfred Stolpe called for a maglev route between Berlin and Leipzig, conditional on Leipzig's receiving the international mandate for the Summer Olympics of 2012.

Eichel, according to profile, stated that there is no money at all for any such project. Were the German government pursuing a policy like that of Italy, it would propose a special credit facility in the range of EU 50-70 billion annually at the European Investment Bank, to fund such projects. There would be money for several major maglev projects in Germany and in some of its neighboring countries, such as Italy, the Netherlands, and Poland.

Another positive approach of the government could have been to not launch the EU 15 billion tax cuts in 2004, but to assign the amount in funding to a special credit facility for maglev construction in Germany. Another person in the finance minister's chair would make a big difference.

The Chancellor could do something good for the German economy: Fire Eichel, and replace him with a politician who thinks more in the direction of Italy's Tremonti. And Chancellor Schröder should do so, before German national unemployment reaches the 5 million mark, some time this Autumn.