German Government Declares For Growth Instead Of Budget Cuts

by Rainer Apel and Nancy Spannaus

Germany's foreign minister Joschka Fischer signalled a shift in the approach of the German government toward the insoluble fiscal crisis it faces, in remarks on May 3. Fischer, a leading member of the pro-austerity Green Party and vice-chancellor, spoke out in favor of dumping the policy of austerity as such, and instead going for a stimulus package in employment. His statements followed what *Der Spiegel* magazine reported to be a special, secretive session on April 28, with only a select few of the cabinet members: Economics Minister Wolfgang Clement did not attend, but Chancellor Gerhard Schröder, Vice-Chancellor Joschka Fischer, Finance Minister Hans Eichel, and SPD general party manager Franz Müntefering did.

In one respect, Fischer's statements are no surprise. There has been a public attempt within the Schröder government since the Summer of 2002, to move toward an economic stimulus package, and out of the budget straitjacket imposed by the Maastricht Treaty of the European Union. When Chancellor Schröder announced his resignation as head of the SPD in February 2004, he personally called for no more cuts in the Federal budget. Already, the government's increased taxes and budget cuts have created a political uproar, especially within the lower-income brackets of the German population.

This change in policy profile reflects a move in the direction being pushed by LaRouche's associates in Germany, especially Helga Zepp-LaRouche, who heads the political party BüSo, and it dovetails with similar actions in other European nations, all of which are finding that the current depression conditions make it impossible to balance their budgets. With the BüSo's participation in the European parliamentary elections, scheduled June 13, the debate over how to carry out this shift, and avoid draconian Schachtian austerity, is likely to dominate the scene.

Cuts Will Not Work

In an interview in the May 3 issue of the German weekly *Der Spiegel,* Fischer said: "Parallel to the structural reforms, we need growth. We should finally put an end to deflationary thinking." He said that although in general, loyalty to the pact of Maastricht would be kept, "for a limited period, we must give conjunctural recovery the priority without saying goodbye to the structural reforms. . . that is why we have to create growth."

"We cannot get the necessary growth just with savings, cuts, and cuts again," Fischer said. While he did not go into details on what kind of growth stimulus he was thinking about, no one could miss the drama of the shift, since it is Fischer's party, the Greens, who have led all the others in calling for super-austerity, including a special ecology tax which went into effect Jan. 1.

According to reports on the April 28 cabinet session, the government faces another alarming tax income gap of 15-plus billion euros for this current fiscal year, and another increase of expenses for the unabatedly-rising unemployment (each 50,000 new jobless cause expenses of 1 billion euros). This led to discussion of options for stimulating growth, including extra allocations for research and development and new credit-lines for Mittelstand firms from the state-run Kreditanstalt für Wiederaufbau. But the money for that, the *Spiegel* story hinted, is to be raised from new privatizations of postal and telecom assets, and reserve gold sales, among other approaches, rather than from the creation of state credit.

It is worth noting that the French finance ministry published a similar list of measures in Paris on May 4, which shows that a comparable debate is going on also in other EU countries.

None of these measures, even if combined, will suffice to create any fundamental improvement in the economic and fiscal situation in Germany, though. That would require a return to the pro-industrial policy proposed by the LaRouche campaign, which puts an end to the reign of monetarist rules in Europe, and which scraps the Maastricht system and replaces it with a new system in line with an international New Bretton Woods arrangement.

Foreign Minister Joschka Fischer signaled an about-face in German policy by stating: "We need growth," adding, "We cannot get the necessary growth just with savings, cuts, and cuts again." Previously, his Green party had outdone all other German parties in calling for austerity, including a special ecology tax which went into effect Jan. 1.

Attacks On Maastricht

Already, throughout Europe, the Maastricht system is under attack from several sides.

For example, the ongoing talks about the envisaged European Union Charter show a fierce fight over the right of the national governments and parliaments to over-rule the power of the European Commission and the European Central Bank (ECB). This conflict, which erupted over the draft charter's down-grading of the central bank's status, already cost the governor of the German central bank, Ernst Welteke, his job three weeks ago (see *EIR,* April 23). Also Jean-Claude Trichet, the former governor of the French central bank who is presently the governor of the ECB, has made a special effort to get the draft charter's text reformulated, so that the ECB's full independence, as protected under the system of Maastricht, will be confirmed.

Already in mid-April, Trichet in a memorandum urged the Irish government—in its function as acting half-year president of the EU—to eliminate all passages in the draft charter that would imply changes for the ECB status and function.

Trichet demanded that the relevant charter passages should be reformulated so that they guarantee the full independence of the ECB and also confirm its privileged role as exclusive international representation of the EuroZone countries. He did not want the ECB to be listed as one among several bodies of the EU, but instead be confirmed as an institution independent from national political institutions. Also the national central banks should be confirmed in their full independence from their governments—which is what the charter does not do. Furthermore, the charter's regulation that the ministerial council of the EU could impose changes of the ECB statute and its functions by simple decree, even over the head of the ECB, must be changed, Trichet wrote.

As far as the tasks of the ECB are concerned, the draft charter should be reformulated so that "non-inflationary growth" and "price stability" are defined as priority targets, Trichet demanded. The present version of the draft charter will undermine the "European stability philosophy," he warned. In effect, Trichet is trying to lock in measures which would prevent any perspective of funding economic growth through state credit.

Chaired by the Irish government, the EU will convene again, and may decide on the charter, in mid-May. The publishing of the Trichet letter in European news dailies interestingly occurred in the wake of that aforesaid special Berlin meeting, and a few days before Fischer's remarks in that *Spiegel* interview.

Fischer Under Attack

Fischer's remarks were fiercely attacked by most of the economic policy commentators in the German and European press, whose economic sections are dominated by neoliberal monetarists. Growth!—at the expense of budget consolidating—"a catastrophe," some of these commentators wrote, trying to talk the German government out of its plans.

The German Chancellor responded to the increasing pressure by reaffirming no essential changes would occur, just some modifications along the lines of the magic formula "no growth without reforms, no reforms without growth."

But the genie is out of the bottle, and not just in Germany. The French Finance Minister Nicolas Sarkozy on May 3 also used a similar magic formula, as did, surprisingly, even the new Spanish finance minister, Pedro Solbes—the former chief pro-Maastricht watchdog of the European Commission, which he served as Commissar for Finances and Budget. Both have called for a freeze on budget cuts, and more investment. The public debate on how this can be done, is on the agenda now.