Interview: Horst Seehofer

Not the Austerity Coalition That Financiers Had Planned

Germany's new Minister of Consumer Protection, Food, and Agriculture, Horst Seehofer, is a member of the Bavaria-based Christian Social Union, and a deputy regional chairman of the party. He was Minister of Health in the government of Chancellor Helmut Kohl, and has criticized Chancellor Angela Merkel's plans for radically reforming the health service. He was interviewed at the Tutzing Evangelical Academy Political Club meeting in Bavaria, on Nov. 12, by Elisabeth Hellenbroich and Hartmut Cramer. He came to the Bavaria meeting just after the successfully concluded negotiations on the Grand Coalition in Berlin.

EIR: This morning you said that during the negotiations for the coalition, a "new honesty" prevailed. You said that you now expect the coalition to hold together and be successful. How do you see its chances for the future?

Seehofer: The Grand Coalition has the opportunity to work together, to face the huge challenges that have preoccupied us for years now, to improve economic fundamentals on a long-term basis, afford secure social conditions for our citizens, and combine competency on the economic front, with social responsibility. The heart of the matter is to assure and improve our people's living conditions, wherever possible.

EIR: You also stated that, while negotiating the Coalition, the "Great Illusion" had been swept aside that the current crisis could be overcome solely by so-called "restructuring measures," which were better defined as drastic austerity, as in Brüning's Emergency Decrees. It seems that now, the coalition partners have understood that simple budget cutting is *not* the solution, but that investments have to be made, notably in research and development. What have the negotiations accomplished in this regard?

Seehofer: We've broken through the so-called "mainstream" economic thinking, and there is now a sense that in order to have first-class social benefits, you have to have a first-class economy. And that cannot be achieved only by budget-cutting and austerity, but rather through a dynamic, innovative economic and financial policy.

The current agreement is comprised of a package of measures, from tax write-offs for companies that invest in Germany and create jobs here, to vigorous rehabilitation of buildings, to defining private homes as "workplaces of the future," as well as tax write-offs for craftsmen's bills. In particular, there is the major theme of education and research, where the effort—and that includes the financial effort—will be massively increased.

What this comes down to, is that we have finally got free of the mistaken view that "If we take down social benefits, the economy will take off." Instead, we say: "We must indeed have reforms, but they must be flanked by forceful, innovative, and dynamic economic measures."

EIR: There is talk of a 25 billion euro investment program. Are there concrete projects, notably infrastructure projects?

Seehofer: Well, for example, Germany's entire transport infrastructure must be greatly improved, on the order of several billion euros. I would mention, since we are now speaking in Bavaria, the Transrapid stretch between Munich and its airport. And for the coming two years, until we get around to the major corporate tax reform, we could grant a 30% tax write-off to all medium-sized firms that invest, and I mean that actually do something. Such things will encourage people to show some gumption in Germany.

EIR: You're known as the "social conscience" or "rebel" of your party, but also of Germany. Will you continue to act so, now that you're a Federal Minister?

Seehofer: Have no fear!

EIR: And for what principles will you stand?

Seehofer: First, in the negotiations, we have finally broken with the erroneous doctrine that "As long as we cut social benefits enough, there will automatically be growth and jobs." The reference today is threefold: save, reform, and *invest.*

Second, one has to go about savings fairly. I'm very pleased to be able to report that the coalition is agreed that there will be no pension cuts. It's been clearly agreed upon, despite attempts to do precisely that. Retired people have had to accept sacrifices for years, and there have been years when pensions were not increased at all. One can't cut pensions on top of that.

That is a fundamental point on the "savings" issue. Or the fact that we will give extra support to families with children from now on. For example, there is a "Child Bonus" for fami-

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lies who agree to complement the statutory pension scheme with a private scheme. There is a parental allowance, paid in the first year following a child's birth: Women will receive up to 1,800 euros monthly in the form of a parental allowance, with which they can either hire home help, or take care of the child themselves during the first year. These are *reform measures.*

Another point involves keeping people longer in the workforce, but that cannot be brought in overnight. When older people have little chance to find a job, to compel them to remain in the workforce longer would amount to cutting their pensions, since if they retire earlier, they draw less pension. The idea is to extend the retirement age, from the year 2012 on, up until 2035. And there will also be an employment program for people 50 and over, with which we will attempt to bring older people back into the labor force. We must put an end to the "youth cult," which says that everyone over 50 is done for.

I'm in favor of such reforms, because they are fair. One might of course disagree with the social impact of raising VAT [the Value Added sales tax]. But I see no way around it. At the conference, I explained that there are very few options for cuts in the federal budget. No one wants to cut pensions or child allowances, and so there is hardly any other way to bring down the deficit by cuts, so dire is the present condition of public finances.

In raising taxes, one has to make sure that it's done as fairly as possible. We have done so by leaving the VAT as is for foodstuffs and daily necessities, that is, at 7%, and part of the income from the VAT hike will be used to cut [employee] unemployment insurance contributions. Finally, really big earners will pay 3% more in taxes. Yes, these are burdens, but I think that we've taken care that is being done somewhat fairly.

EIR: At the conference, you explained that in this budget, for the first time, debt will be twice as high as investment, which of course goes against the Constitution. In our proposal, it's not an issue of piling on debt, rather of productive credit generation to have the State create credit, for example State bonds, which would only be granted for *productive* investment. Do you see that as a way out of the budget problem, so as to foster further investment?

Seehofer: This morning, I spoke, quite deliberately, of 42 billion euros net indebtedness, and 20 billion euros investment. Were there investments of 50 billion euros, there would be nothing wrong with a net indebtedness of 40 billion. But when we use credit to pay for consumption, social benefits, and civil servants' wages, which is what those figures express—that spells danger.

We have got to restore the State's ability to act. Loans are taken out for *investment purposes* in the private sector, and nothing speaks against it, from the economic standpoint. But we've gone way beyond that. We've created, in the present, some maneuvering room for redistribution through indebtedness, that will take the form of future tax hikes. Current tax hikes correspond to past indebtedness; the next generation will have to accept tax hikes for current indebtedness—but we don't want to go on like this. Debts today spell taxes tomorrow. Through debt, one generation creates maneuvering room, that it would not otherwise have. But the next generation will have to pick up the tab.

The only area where one can responsibly run up debt, is for investments, the financing of which stretches over one or more generations, in transport schemes, universities, hospitals. But one must not cover the cost of social services and the wage bill through debt. The private sector wouldn't do so—or whenever it does, bankruptcy looms.

EIR: That was what my question aimed at. We were thinking of the great German economist Wilhelm Lautenbach, who in the early 1930s, in an attempt to head off the Nazi Party, proposed gigantic public investment in infrastructure. Lautenbach explained at the time, that not only would economic growth be fostered thereby, but the entire economy's productivity would rise, and millions of useful jobs would be created. This is not the same as running up debt, but means creating value by investing into the future, rather than using credit to finance consumption or the wage bill.

Seehofer: I couldn't agree more! That's why the Minister President of Lower Saxony, Christian Wulff, brought with him to the Coalition negotiations, the official gazette with Brüning's Emergency Decrees, and he read them out to us, so that everyone might see how dire, how desperate the impact on the country is, when one wrecks the State by slashing expenditure to the bone. That is why we "will not slash to the bone," but have rather adopted the threefold plan: save, reform, invest.