 by Rainer Apel

Incentives, but No Investments

The German government's new program lacks commitment to real state intervention

At two days of sessions behind closed doors in a castle south of Berlin on Jan. 9-10, the German government put into final shape its four-year framework for a conjunctural incentives program. The program envisages government expenses of 25.1 billion euros for the period between now and the end of 2009, of which sum, however, only 4.3 billion will go into direct creation of jobs, through state investments in the transport infrastructure. A second area of direct state input is the plan to increase funds into research and development, by 6 billion euros over the next four years. The rest of the 25-billion program consists of incentives to small firms and crafts shops (5.6 billion), to families (5.5 billion) and to house owners (3.7 billion), with the appeal to them to use additional tax cuts for investments or modernization efforts of their own, and for employing more people.

The program instantly came under attack by the labor unions. Frank Bsirske, chairman of ver.di, Germany's second-largest labor union, said that the program will not have any positive effects on investments and employment, because it is too small in size, with less than 6 billion euros spent annually; it is a mix of too many small programs, with not a single of these creating investments which would have a directly positive effect; finally, the program does not involve any direct state intervention of a size big enough to create new jobs in significant numbers.

And indeed, if one takes a closer look at the program, one finds that in 2006, it will allocate only 3.77 billion euros, which is rather absurd, because this current year was supposed to be the one being used by the government to provide a big incentive to the German economy, to launch a recovery. For 2007, when the program will allocate 6.1 billion, the government has already committed itself to return to the strict budgeting criteria of the European Union's Maastricht rules; and for 2008 and 2009, when the government wants to fully adhere to these budget-balancing rules, the program is scheduled to allocate more than 7.5 billion euros, for each year. Furthermore, a bit more than half of the program is to be funded by revenues from new privatizations of state-owned property—real estate, the highway grid, telecom, and other industrial assets.

Differing somewhat with this miniscule government effort, the ver.di union itself has called for a state-run program of investments, mostly in municipal infrastructure, but also in the education and science sector, in the range of up to 40 billion euros annually. Together with the metal workers union proposal for a similar program in the same range, to be funded not by privatizations but through long-term lower-interest loans issued by the state-owned Reconstruction bank (Kreditanstalt für Wiederaufbau), the German labor unions have made a step in the right direction. But even that is still far below requirements. With a real jobless rate twice as high as the officially-recorded 5 million, Germany needs to create an average of 1 million new jobs every year, to regain full employment after one decade. But no more than 50,000 new jobs, at most, can be achieved with the government's programs. The projected creation of 20,000-25,000 jobs, through the 1 billion euros that the government plans to invest each of the next four years in the transport infrastructure, is only relatively secured. Lay-offs announced by some of the leading industrial firms, banks, and insurance companies for the next two years alone, however, already imply an increase of unemployment by more than 110,000.

The grave economic problems of Germany can only be solved with a program of the kind that the LaRouche Movement is putting forward. Helga Zepp-LaRouche, chairwoman of the Civil Rights Movement Solidarity (BüSo) party, made this point explicitly in a mass leaflet stating "That Isn't Enough, Madam Chancellor!" (see *EIR,* Jan. 13), in which she called for state-run concentrated investments in infrastructure, industry, research and development in the range of 200 billion euros, annually. The funding, she insisted, shall be done through state-guaranteed long-term low-interest loans to productive firms of the economy, if the Maastricht budgeting rules are abolished, returning credit generation to Germany and the other member states of the EU. And, she added, Germany must return to its pre-2002 national currency, the d-mark.

The LaRouche Movement in Germany will campaign nationally with these demands and with its qualified critique of the government program, focussing on two important mayoral election campaigns: 1) in Leipzig, eastern Germany's second-largest city, after Berlin, which will vote on Feb. 5; and 2) in Wiesbaden, the second-largest city in the Rhine-Main region, after Frankfurt, which will vote on March 26.