

## Report from Bonn by Rainer Apel

### Debt moratorium a moral imperative

*Models for reducing the debt burden are at the center of political campaigning in Germany.*

Visitors to Germany are witnessing the unusual spectacle of vigils in front of banks in the bigger cities like Frankfurt, of protesters calling for a moratorium on the debt of developing sector nations. This time it isn't "just the LaRouche people, again," who are attacking monetarism and the International Monetary Fund (IMF), but organizations such as the Association of the German Catholic Youth (BDKJ).

The BDKJ plays an important role among the 1,200 church-linked activists who signed a May 11 call for a debt moratorium for developing sector nations published in the daily *Frankfurter Allgemeine Zeitung* by Misereor, the international relief organization of the German Catholic Church (see *EIR*, May 21, p. 9).

On the eve of the annual shareholders meeting of Deutsche Bank in Frankfurt on May 19, BDKJ spokesman Karl-Heinz Feldbaum recommended a moratorium on at least half of the DM 52 billion (\$32 billion) which developing sector nations owe German banks. Feldbaum called on Deutsche Bank, the flagship of the German banking sector, to follow the example of its own past chairman Hermann J. Abs, who played a catalytic role in the 1951-52 London talks that led to the 1953 moratorium on 50% of Germany's pre-war debt. This agreement, which paved the way for the postwar recovery and reconstruction of West Germany, is one of the rare cases of successful national debt reorganization in the 20th century.

Feldbaum said that the debt of the

poorest among the developing sector nations should be canceled, and the somewhat better-off countries should be granted a moratorium on at least half of their debt.

Meanwhile, momentum for a moratorium is also building for domestic debt: The DST, the official association of the municipalities in Germany, which announced a "debt payments strike" for all east German municipal authorities on May 2, is now considering initiating a "master trial" at the Constitutional Court, to get rid of the so-called "old debt" of the East, which has proven to be a key obstacle to any serious reconstruction in the run-down, formerly socialist part of Germany.

The "old debt" of the eastern municipalities originates in the bookkeeping methods of the pre-1990 socialist regime, which simply reinterpreted centralized transfers of the state to the local authorities as "credit," an interpretation which was not challenged by the government of Chancellor Helmut Kohl, but carried over into the fiscal policy of united Germany.

Originally, there were three main categories of state transfers to the municipal authorities in eastern Germany: 1) funds for the municipal housing sector; 2) support for local housing operations in various cities of industrial combines, which provided and secured apartments for their workers; 3) funds for social and health services, as well as investments, in the cities.

Funds of the municipal authorities were a sub-category of the centralized

state budget, in line with the regime's five-year economic plan. Any nominal "income" of the cities, which in non-socialist societies would be under the control of municipal authorities, such as local taxes, fees, and rents, were a category of state income. Money was collected for the state and redistributed by the state to the regional and local institutions. To speak of "credit," is therefore a distortion of the real process; as numerous representatives of east German institutions put it in discussions with this author recently, it is even considered an "illegitimate invention of something that does not really exist."

The legal action against the "old debt," which will likely be launched after May 30, is only one avenue of protest. The government's attitude, which has so far prevented any sound debate on the debt, has led many debtors to conclude that "without political pressure, nothing will move." Even more radical views have been observed in recent weeks among industrial managers, government officials, labor union officials, and municipal representatives.

There are signs that, in the eastern regions, a broad front of popular dissent against the debt crisis-management policy and austerity regime of Kohl is building. Protest marches by entrepreneurs may be staged along with "payments strikes" and other financial boycotts. It is even possible that joint actions of managers and workers will be launched against the government and its various offices in east Germany, like the Treuhand agency in Berlin which has control over the privatization of the former state sector industry.

Rumor has it that the debt issue may also be put up for a plebiscite, which would put the call for a moratorium where it belongs, namely, into the hands of the voters.