

Report from Bonn by Rainer Apel

At the end of their economic wisdom

Year-end debates in Germany show the prevalence of pro-austerity views among the "elites."

The delusion that budgets can be balanced without an economic recovery, which Newt Gingrich has championed in U.S. budget debates, has spilled into Germany, as the year-end addresses and statements by prominent German banking, political, and industrial figures show.

Chancellor Helmut Kohl dedicated half of his five-minute televised New Year's message to the alleged benefits of the planned European Monetary Union (or rather, "monetarist" union), but only one sentence to the "need to improve Germany as a production site, to make it more attractive for investors and to create more jobs." He added a vague appeal to industry and labor to continue discussing the problem.

At a time when forecasts for 1996 are for a jobless rate of 4 million, and of 6 or 7 million by the year 2000, Kohl's non-message showed that he has arrived at the end of his economic wisdom. Kohl does not know much about economics, but he has no scruples about discussing the "social character of the German model," while at the same time seeking advice from free-market advocates. One should not be fooled by his references to "Christian-social" concepts: In reality, he believes in the same, allegedly "beneficial" free market as do Margaret Thatcher or Gingrich.

More direct were statements from the world of banking. Hans Tietmeyer, the central bank governor, voiced "concern about the possibility of continuing to provide funding to our expensive social services system," in an interview in the Jan. 3 *Bildzeitung*,

the nation's biggest circulation daily. "We must now begin the restructuring of our social welfare state. . . . The explosion of health care costs must be stopped." One has to keep in mind that what Tietmeyer attacked, is the core element of the "German model" of guaranteed state welfare.

Even more brutal were remarks by Hilmar Kopper, chairman of Deutsche Bank, the biggest private-sector bank. In an interview with the daily *Frankfurter Allgemeine Zeitung* on Dec. 31, he defended job-outsourcing to low-income production sites abroad, such as the Czech Republic or India, presenting this job-killing practice as "an actual subsidy to labor" in Germany.

Kopper demanded "a debate about the price and the deregulation of labor," which, he said, "could result in paying less, two years from now, for certain categories of work, than today." It came as no big surprise that he presented the United States as the model, as "the only country that has had lasting success," that has "solved its employment problems to a great extent." Kopper sympathized with the Gingrichites, praising the "commitment with which the Congress is discussing the problem of budgetary restrictions," and expressed regret that a Gingrich-style debate about a balanced budget "can for the time being not be expected in Europe and [Germany]."

Kopper dismissed a statement by the interviewer that 80% of Americans have not seen a wage increase in the last 20 years, saying that "these people have a job." He said that tradi-

tions of labor policies in Germany do not permit approaches like those in the United States, that it will take more time in Germany, but that a "worsening of living conditions" will help to change things. "We have not yet arrived at the point where the pressure begins to hurt. But this point will come. And the discussions and consequences will become tougher."

Hans-Olaf Henkel, president of the German Industrial Association, attacked the "octopus-like social welfare state," in an interview with the daily *Die Welt* on Dec. 31.

The year-end issue of *Bildzeitung* published an interview with Roman Herzog, the Federal President of Germany, under the headline, "We Have to Slaughter Archaic Sacred Cows." Expressing his support for the chancellor's views, Herzog added his firm belief that average weekly working hours were "a sacred cow" that needed to be slaughtered, in order to introduce job-sharing and other such tricks to "create more jobs." Proposals like this one have been made over and over again, but Herzog's point about why job-sharing should be considered an alternative to the existing labor market system, was surprising: "The Germans today are a nation of heirs. Nearly DM 100 billion are inherited every year. I am quite sure there are many workers that would make a living from renting flats or from stock-dividend revenues and would therefore work only a few days and less hours per week."

With 10 million poor, those who have been without jobs for a long time and others who depend on social welfare, to talk about Germany as "a nation of heirs" who can lead a life of rentiers, like Herzog did, is virtual reality at its worst. He, and the rest of the German elite, seem to be at the very end of their wisdom. This is not a good omen for 1996.