

completely disappeared. The destruction of the Chemnitz machine production has caused expenditures by the Chemnitz Unemployment Office of DM 10 billion so far.

The only productive sector that was booming in the early 1990s in eastern Germany, was the construction sector. A large part of construction work was state-financed infrastructure projects. However, public construction orders are now falling. In the first half of 1996, construction orders in Germany decreased by 8%, while unemployment in the construction sector went up by 32%; in eastern Germany, by 47.5%. Here, the Maastricht budget-cutting mania is further accelerating a process that has been ongoing in the German economy for decades: The percentage of federal expenditures invested in construction has fallen to 2.2%, compared with 5.2% in 1970. In the states of North Rhine-Westphalia, Baden-Württemberg, and Hesse, this ratio plunged from 25% in 1970, to 12% today.

Great projects needed

Unless Germany's self-destructive economic policies are soon reversed by an approach of great infrastructure projects, such as building a Eurasian land-bridge of transportation corridors linking Europe to Asia, Germany will no longer exist as a leading supplier of capital goods to the world economy in the next century.

In this context, Jürgen Schrempp, the chairman of the Daimler-Benz Group, otherwise known as a strong proponent of "shareholder value," gave a speech on Oct. 30 at a Berlin banking seminar, in which he strongly criticized the giant transportation bottlenecks at the border of Germany and Poland. Today, the train ride from St. Petersburg to Paris takes longer than it did 90 years ago, he said. He called for rapidly developing big and efficient east-west transport routes, in the same way that the big north-south routes were built in Western Europe during the 1960s.

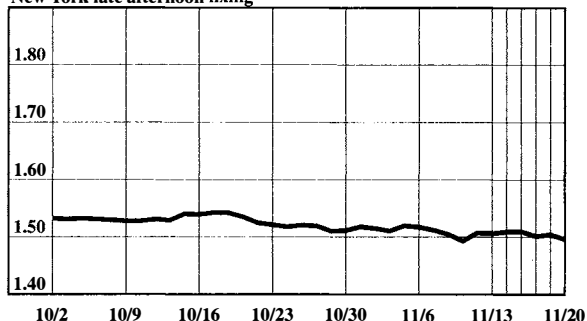
Said Schrempp: "We need the revival of the big European development axis Paris-Berlin-Warsaw-Moscow. It also serves the reunification of Germany, because it connects the economies in the West and the East. Transport grids develop regions, they activate hidden potentials. . . . Imagine an east-west infrastructure corridor, a highway running across the entire distance, a high-speed train route running along this axis. A project of such large dimensions, which would manifest the political and economic commitment, could work as a catalyst for investment, growth, and employment. This concept will blow away the signs of fatigue from which unified Europe is presently suffering. . . . This initiative should be the beginning of a European alliance for employment, which could fight the frustrating mass unemployment. Industry will not stand idly by, when the EU Commission pushes forward its already-designed [TEN/Delors Plan] infrastructure projects."

Strangely enough, Schrempp's speech was left almost unnoticed by the German media.

Currency Rates

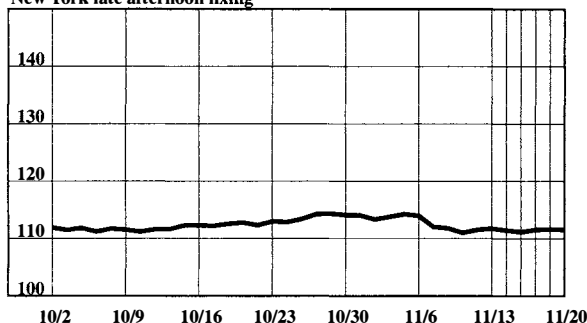
The dollar in deutschemarks

New York late afternoon fixing



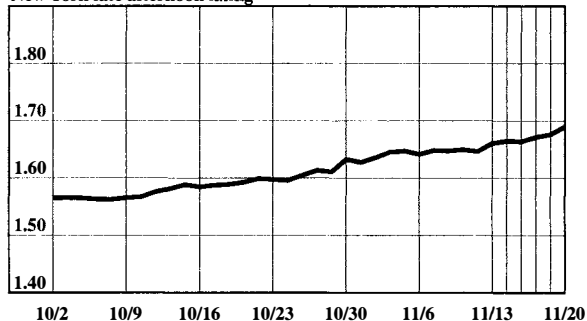
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

