

overexaggerated concern about our foreign-policy interests, which is preached to us ceaselessly, has gone too far.”<sup>14</sup>

Wilhelm Eggert then presented the job-creation program. In keeping with the WTB Plan, it foresaw 2 billion reichsmarks, which would serve as the “sparkplug” for reintegrating 1 million unemployed back into the production process. The projects he named were maintenance and improvements on the road network, river levees, home construction and home repair, housing projects, and agricultural improvements, as well as contracted jobs for the national postal service and

railway. The program was to be financed through funds which would otherwise have been spent on unemployment checks; through tax revenues and unemployment insurance payments by those who had been re-employed; through additional sales tax revenues; and through the SPD’s “people’s bond,” whereby any unsold portions of the bond would be made discountable at the Reichsbank, and would serve as a basis for interim financing.

Following Eggert’s presentation, a resolution was passed to adopt the WTB Plan as part of the ADGB’s official program. It contained only one flaw: its vagueness regarding the means of financing. In *Die Arbeit* (Vol. 3, 1932), Woytin-

14. Michael Schneider, *op. cit.*, p. 93.

## ‘Again and again: create jobs!’

*Extracts from an article by Wladimir Woytinsky appearing in Gewerkschaftszeitung No. 11, March 1932. (All emphasis is in the original.)*

The past few weeks’ public discussion has cleared the air on the problem of work creation, in more than one respect. No longer do we need to poke around in the dark for the right direction: The road ahead of us is open, we know where it leads, and we know the dangers that have to be avoided. The *necessity* for work creation is no longer seriously disputed by anyone. The dispute now, is over *whether it is possible*, with the means available to the state, to carry out the action on a scale appropriate to the seriousness of the situation, and in accord with the trade unions’ wishes. In its resolution, the national committee did not give any definite figures, and did not recommend any definite plan for work creation. Up to then, the discussion had revolved around proposals made in the trade union press by individuals acting on their own responsibility.

As things stand now, the starting-point for the action must be the following, doubly depressing picture: On the one hand, huge, bottomless misery which cannot be eliminated at a single stroke, and which one can only hope to ease somewhat; and, on the other, empty government coffers, and no free energy for bold, effective measures. Therefore, we make the double demand: *Create work for the greatest possible number of people, with the least possible expenditure of money!* . . .

The magnitude [of the credit] is important, and the ADGB can take responsibility for it:

*Employ 1 million workers with a total expenditure of 2 billion reichsmarks.*

The choice of the object of this labor, must take into account the requirement that *the largest possible number of workers* be employed *productively*, without exceeding the indicated cost ceiling.

The central feature of the technical side of the work-creation plan, must be *road building*, namely, the maintenance, and, over and above this, the modernization of our national road network. No one doubts the need for these projects and their economic profitability; the plans have long been ready on the drafting-boards, and the wage component of the total cost is relatively high. . . .

In 1931, the road construction work envisioned by the relevant authorities, remained undone. We must now demand that in the upcoming construction season, we make up for lost time:

*One billion reichsmarks for road construction!*

Next to road construction, one of the most important elements of the work-creation program is *housing construction*—namely, the construction of small homes which can be easily rented out, and which are therefore a safe capital investment. The shortcoming of housing construction within the framework of the work-creation program, is that the investment cost per worker employed, is rather high. But the great advantage of this sort of work creation, is that here, in the form of a home, a *commodity* has been created, which has a commercial value; and that makes it considerably easier to finance the action. In order to rebuild or expand RM 100 million of roadway, the government must spend RM 100 million; whereas with housing construction, the state will be able to set a total of RM 100 million into motion, by making only about half that amount available to construction firms on affordable terms.

*Water-control projects* have the advantage of having the highest wage component of the total investment; but they cannot employ all that many people. With *irrigation works*, most careful attention must be paid to the selection of the projects to be undertaken, since here the danger that the investment will fail, is greater than with any other kind of project. We therefore conclude:

sky had detailed the way in which the unsold portions of the bond were to “serve the banks as the basis for interim financing”: “Those public bodies legally considered to be initiators of the public works, shall issue notes to those corporations that are entrusted with carrying out those works.” These notes could then be purchased by the banks, which could then turn around and “rediscount them at the Reichsbank.” The resolution of April 13, 1932, however, did not contain the crucial reference to discountability at the Reichsbank. Instead, it only said that, “Insofar as portions of the bond are not completely sold on the capital market, they shall serve the banks as the basis for interim financing

of job creation.”<sup>15</sup>

Tarnow, in particular, was adamantly opposed to compromising on the matter of the bond. And Woytinsky had repeatedly emphasized that “combatting the crisis, means creating jobs. And anyone who has pronounced the words ‘job creation,’ has already started talking about credit creation.”<sup>16</sup>

15. “Wiederaufbau durch Arbeitsbeschaffung, Beschluss des Ausserordentlichen Gewerkschaftskongresses vom 13. April zu Berlin.” *Gewerkschaftszeitung*, No. 17, April 23, 1932, cited in Schneider, *op. cit.*, pp. 235f.

16. Wladimir Woytinsky, “Wann kommt die aktive Wirtschaftspolitik?” *Die Arbeit*, No. 1, 1932, p. 24.

*One billion reichsmarks for housing construction, water-control projects, economically justified irrigation works, and contracts for the national railway and postal service!*

### The financing

If we go with such a work-creation program, we must also be clear on how the required funds are to be raised. How will it be possible, given the present tight state of our public finances, to free up 2 billion reichsmarks? We must counter with the utmost vigor, any suspicion that we want to create the money out of thin air, or that we are somehow toying with the idea of inflation. The crucial question here, is *simply organization, in accordance with Reason.*

A considerable portion of the costs of work creation can be covered by government funds which would otherwise have gone for unemployment checks, as well as by taxes and revenues which will be paid by those employed in the public works.

For every person currently receiving public support, the unemployment insurance fund, the crisis support fund, and the welfare offices pay out more than RM 60 each month (including social security payments). They must be obligated to pay RM 2 per completed workday for every person employed in public works (i.e., one-third of the amount they are currently putting into emergency projects). With 1 million people so employed, and with preferential hiring of the most needy, who are currently putting the greatest burden on the unemployment insurance fund, *approximately RM 800 million in public support can be saved, and RM 200 million can remain freed up to be put toward relieving the stress on the relevant public institutions. RM 600 million is to be used for covering the costs of job creation.* To that end, tax revenues must be used, which will be drawn from those employed in the public works—taxes which, as unemployed people, they are currently unable to pay: income tax, citizens’ tax, housing rental tax, totalling about RM 200 million. The same also applies to the 6.5% deduction from gross wages for unem-

ployment insurance. By these means, *a further RM 300 million can be freed up for job creation.*

Thus, almost one-half of the expenditures required for job creation, can be made available without putting the slightest burden on the government budget, and without resorting to credits. We must go further still, emphasizing that these actions hold out the prospect of a *perceptible easing* of the load on public finances. We already spoke earlier about the easing of the load (to the tune of RM 200 million) on the agencies which must pay unemployment benefits. On top of that, they will save about the same amount because of improved employment in the consumer goods industries (secondary effects of public job creation). At the same time, new revenues from consumer taxes, sales tax, transportation tax, as well as from additional employment in the consumer goods industries, will flow into the state’s coffers. With all due caution, we can estimate the actual additional state revenues at about RM 300 million.

These considerations permit us to more precisely define the problem of financing work creation, as follows: RM 1,100 million is to be freed up, in order to employ 1 million people for one year, after which period the unemployment funds will have saved about RM 400 million, while the government will have received about RM 300 million more revenues, and about RM 2 billion in new value will have been created for the economy.

That is the deal we propose, and that is what the opponents of this action are branding as dangerous *inflation.*

To pre-empt that objection, let it be said, that the trade unions are firmly resolved to protect Germany’s currency against the danger of inflation, as we all experienced this during the postwar years. The trade unions will only agree to a definite plan for work creation, when they are rock-solid certain that it involves no danger of inflation. On the other hand, work creation *on a grand scale* is impossible without expansion of credit. The problem, therefore, can only be put as follows: *work creation based on the required expansion of credit, but avoiding any danger of inflation!*