

Economic collapse fuels German government crisis

by Rainer Apel

“I have no intention of changing the cabinet,” a visibly angered Chancellor Helmut Kohl said in Bonn on Aug. 25, on his first day upon return from the summer recess. “I will not be put under pressure.” But, Kohl is under pressure; it is increasing by the day, and there is not much he can do to escape it. An intense public debate has erupted throughout the nation about the future of this chancellor’s government—which a majority of citizens consider a “non-government,” i.e., one that is not acting at all, but, instead, concentrates all of its efforts to keep from falling from the chair, at the legs of which, constituencies, industry, and labor are pulling.

Naturally, those who are attacking the non-government of Kohl have many different, and not always sound motives, but knowledgeable observers of the German political situation who remember the big crises of the mid-1960s and the early 1980s which led to the overthrow of governments, have pointed out that the present crisis in Bonn and Germany is of the type that can lead to an abrupt end of the current regime. Thus, there is sentiment building among labor, industry, and crucial constituencies, such as senior citizens, that the time of this particular government has passed, that it must make way for a new one. The German nation has entered a political dynamic of the type that led to a change of government in France, in early June.

It is a fact that in Germany, the opposition Social Democrats (SPD) have no real alternative economic program and are, because of that, unenthused about the idea of taking power during a time of economic and political turbulence—which the more intelligent baby-boomers of the SPD know they will not be able to master. This is as much the reason behind the hesitance of the SPD leadership to nominate a challenger to Kohl, as are the internal brawls among the Social Democrats’ leadership.

But, it is also a fact that the majority of voters want this Kohl government out, the sooner the better. For industry, this government, and this chancellor in particular, has demonstrated its absolute incompetence on all matters that are of interest to industry. The globalizers, downsizers, and derivatives sharks that had expected the government to support them, are as disappointed with Kohl as are the medium-sized industries that, justifiably, are disappointed because the government does not protect them against the globalizers.

Roland Berger, chairman of the leading German business and investment consulting firm of the same name, summed up the sentiments among industry against Kohl, in remarks made the day before Kohl’s return from the summer recess, and which have made headlines in all the media. Berger said that the nation’s many problems will not be solved, unless a new Grand Coalition of Christian and Social Democrats takes over. Only the combination of the best talents among the leading politicians of the two biggest parties, in a government coalition, will be able to pull Germany out of the mud, Berger said.

The firm Roland Berger is majority-owned by Deutsche Bank, Germany’s biggest private bank, indicating that the banks, which so far have protected Kohl against critics from industry, are now fed up with him as well.

More strikes to come

Labor, which sees itself as the primary victim of the downsizing process and of monetarist economics which, with the consent of this neo-liberal government in Bonn, have destroyed 4 million jobs in the last five years alone, is deeply enraged at a government that has repeatedly cut spending for social welfare, labor market, and public health programs in a

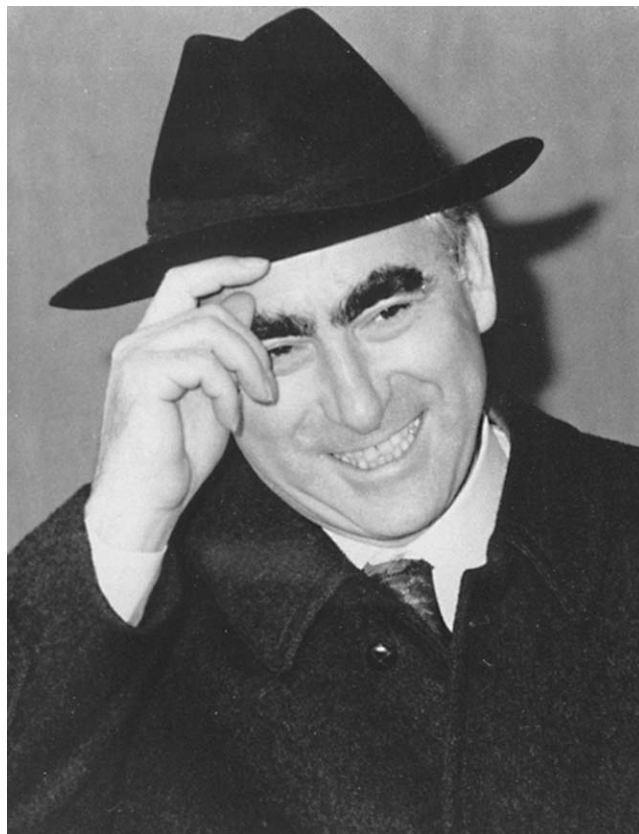
futile attempt to balance government budgets. Some of those planned cuts, for example in coal mining support and sick pay, were prevented by broad labor strike waves in the autumn of 1996 and the spring of 1997. But, the government has not changed policies, and is insisting that the cuts must occur, to meet budget-balancing criteria, while at the same time the depression is causing tax revenues to shrink and jobless figures to rise, unabatedly.

German labor unions will strike again, this autumn, and what will make a big difference this time, is that the success of the International Brotherhood of Teamsters' strike in the United States against United Parcel Service has been welcomed and intensively studied by German labor leaders. Therefore, the turbulent autumn that not only this author, but many others in Germany as well, forecast at the beginning of this year, has finally arrived.

For politicians who have no real policy direction, opinion polls mean a lot, and the Bonn politicians, and most of the German establishment, are politicians of this type. The opinion polls tell them that if there were elections right now, Kohl's three-party coalition of Christian and Free Democrats would receive only 42%, against 50% for an alliance of the SPD with the ecologist Greens. Now, for the baby-boomers of the SPD leadership, such opinion polls are an additional factor not to step out of their overall complacency, namely, that "time works against Kohl, therefore let's wait." But for the baby-boomers among Kohl's Christian Democrats, these polls mean that if their chancellor, and chancellor candidate for the 1998 elections, is Kohl, they will lose the elections. Thus, even if the opposition SPD does not pose a serious challenge to incumbent Chancellor Kohl, his position is eroding from within his own party. Especially in the northern sections of the Christian Democratic Union (CDU), where the leadership is below the age of 40-50, there is a majority sentiment that it is high time to begin discussion about the "post-Kohl era." The two chairmen of the CDU in Hamburg (which has elections for state parliament on Sept. 21), and Lower Saxony (which goes to the polls in March 1998), are also the two leading spokesmen of the inner-party movement against Kohl, and there have been repeated clashes, in the past months, between them and the chancellor.

Stoiber emerges as a serious rival

So far, Kohl has largely succeeded in knocking down these protests, with the pragmatic view that the protestors have no real power inside the party, that he is the leader, and that there is no serious rival inside the CDU against him. But, in recent months, a serious rival has emerged, in the person of Bavarian state Gov. Edmund Stoiber, who runs a state that has the second-largest population and constituency, among the 16 states of Germany. Stoiber also is the vice chairman of the Christian Social Union (CSU) party, the autonomous Bavarian state section of the German Chris-



German Finance Minister Theo Waigel to Chancellor Kohl: "See ya later, Helmut."

tian Democrats—whose chairman is Kohl's finance minister, Theo Waigel. Pressure from the CSU party organization on Waigel to either change key aspects of his pro-austerity policy, or to quit his job, has been building, and it is an open secret that Stoiber has played a role in fueling this pressure. Thus, it did not come as much of a surprise when Waigel, in a yet-unaired interview with Bavarian state television in late July, said that he was considering quitting his job as finance minister in Bonn. The remarks were leaked in mid-August, and created a political uproar throughout Germany.

For most citizens, this was the sign that the Kohl era was coming to an end. After phone consultations with Kohl, Waigel immediately retracted the remarks, but that did not solve Kohl's problem—which is that once the genie of cabinet reshuffle is out of the bottle, it is impossible to put it back in again. For example, the aforementioned "youngsters" in the northern CDU immediately made themselves heard, in respect to cabinet changes. And it is an open secret in Bonn as well, that there are more than 20 members of the CDU-CSU group in the parliament, who have ambitions to occupy a leading post in the government at some point. But Kohl's majority in the parliament is only 10 seats. Therefore, the

CDU-CSU has entered a dynamic that forces Kohl to deal with these ambitions and acute speculations about reshuffles, while at the same time, he wants to avoid any major reshuffle. But should he succeed, he would have made many in his own party very angry, and this means, as many in the CDU and CSU leadership have rightly warned, that any vote on important legislation, for example the FY 1998 budget, could drive inner-party rebels in the parliament not to vote for the government. Kohl, failing to get a majority, would all of a sudden be running a minority cabinet before the eyes of the entire German nation, a cabinet that would have no orderly budget and be forced to rule by decree. Then, a simple vote of no-confidence could bring the Kohl era to an end in a matter of hours.

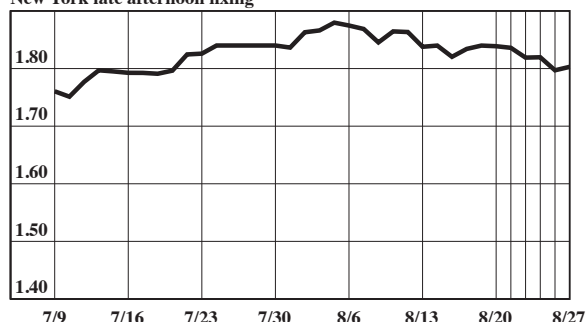
Now, Germany only knows the political instrument of a “constructive” vote of no-confidence, which means that an incumbent head of government cannot be voted out, unless there is an officially announced alternate candidate for his post, as presented in the parliament. A likely scenario for Bonn, this autumn, looks like this: Confronted with a Kohl cabinet that no longer has a parliamentary majority, with labor protests in the streets, with financial markets in crisis, with more calls from industry and the banks for a change of government, the complacent baby-boomers of the opposition SPD may finally feel compelled to nominate an alternate candidate against Kohl and push for a vote of no-confidence. If they win that vote, the new chancellor would be a Social Democrat—maybe only for a transition period, on condition that orderly early elections be held to provide a sufficient, orderly parliamentary majority; as the President has the constitutional right to approve or not approve a new chancellor, he may choose to do what was done when Kohl overthrew SPD Chancellor Helmut Schmidt in October 1982, and early elections were held in January 1983—which Kohl won. But, in view of the overall instability of Germany, and the stated view of leading industry managers and bankers that the best option would be a Grand Coalition, the German President may also give his mandate to such a coalition, for a transition period until the scheduled national elections of September 1998—which, according to the German constitution, would have to be held if there were no other early elections held before.

Whichever scenario may unfold in Bonn in the coming weeks, it seems very unlikely that Kohl would come out on top. He might, however, try a mud-slinging campaign against the SPD and its candidate, a campaign of the type that George Bush tried, in an unsuccessful effort to stop Bill Clinton in 1992. But, German voters would likely draw the same conclusion, as American voters did then, who were so disgusted at their incumbent and incompetent leader that they simply voted him out. After all, recent opinion polls in Germany show that 57% or more Germans, and about the same percentage among industrial leaders, are not in favor of another term of Kohl as chancellor.

Currency Rates

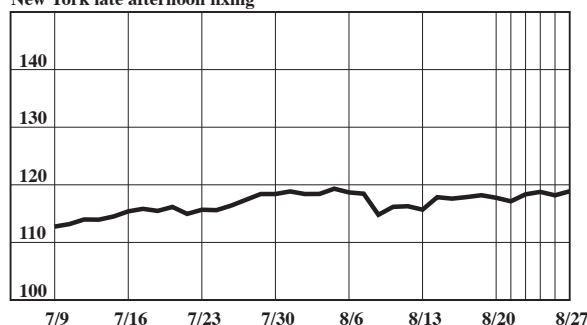
The dollar in deutschemarks

New York late afternoon fixing



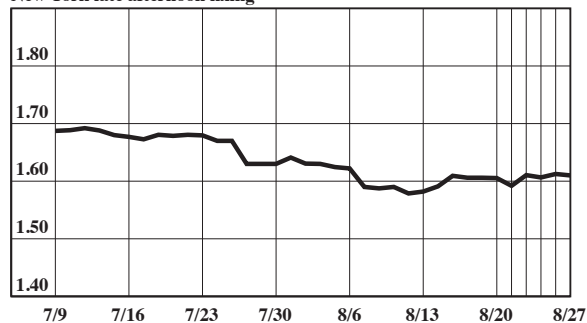
The dollar in yen

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

