

Report from Bonn by Rainer Apel

Carefully orchestrated optimism

Pre-election sleight-of-hand may create a few temporary jobs, but cannot bring real prosperity.

Before leaving for his vacation in Austria, Chancellor Helmut Kohl held a press conference in Bonn, trying to convey optimism that he has a good chance of being re-elected, in the national elections of Sept. 27. Citing the latest figures on the economy, and the labor market in particular, Kohl said that citizens are now more confident that the economic situation is going to improve. While in January, 61% of the electorate was pessimistic, only 31% had this view in June. Economic growth is forecast to be at 3%, rather than 2%, by the end of the year, and 1999 will bring big and visible improvements, Kohl predicted.

Well, what are the improvements in the economy and the labor market that Kohl referred to as the basis for his optimism?

Granted, exports of German cars, machines, and industrial equipment show an improvement over recent weeks. As compared to the situation a year ago, exports are up 18% to Africa; 14% to the United States, Canada, and Mexico; 13% to eastern Europe; 9% to western Europe; 6.5% to Ibero-America; exports are down 3% to Asia, though.

Neither the industrial exporters in Germany, nor the government, nor the econometric institutes want to give a clear picture of what the real losses are in Asia. They tell us that "it will take another 18 months," before the effects of the Asian crisis can be measured in Germany. Others say that the real losses will not be detectable before autumn, or perhaps the end of this year. In other words: We will not know before the elections are over.

While it is no surprise that the gov-

ernment and its supporters in banking and industry have this line, the paradox is that the opposition Social Democratic Party (SPD) is saying virtually the same thing. The SPD, too, has a clear orientation toward austerity policies. But "more austerity" is the last thing the SPD, whose Chancellor candidate, Gerhard Schroeder, wants to defeat Kohl in September, is eager to tell the voters about, at this point.

Therefore, what Schroeder does, is to give vague hints, for example in an interview with the *Stern* weekly July 3, saying, "We don't know exactly what effects the protracted crisis in Southeast Asia will have on the world economy, and therefore, also on our own economy." For that reason, the SPD says, they do not know what they would do, should they take over the government after the elections. In other words, the voter is being asked to vote for the SPD instead of Kohl's Christian Democratic Union (CDU), but could end up with a government program that is no different from what now exists.

The SPD campaign tactic is the mirror image of Chancellor Kohl's. This became most apparent in a statement on July 7 by Rudolf Scharping, chairman of the SPD parliamentary group in Bonn, who said that "for time reasons," a new SPD-led government would have no other choice than to simply adopt the present government's austerity budget plan for FY 1999.

Thus, a bit more than three months before election day, we have a "grand coalition" of the big parties: an agreement not to address the real economic problems facing the country.

In private discussions, senior members of both the CDU and the SPD do confess, however, that they are concerned about the situation, and that they do not really know how to deal with it.

And that is why the SPD will have no other choice, indeed, but to copy the Kohl government's program for providing jobs to the unemployed, passed in March, which improved the jobless statistics a bit, in June. One has to take a closer look, though, at how this "improvement" came about: In the autumn of 1997, the government cut its job-creation programs, in order to keep the budget low, and thereby to be able to meet the European Union (Maastricht Treaty) criteria demanding balanced budgets. At the end of last year, this was done to meet the official deadline and qualify for full membership in the European Monetary Union. Then, in March 1998, the government resumed paying for job creation, but mostly for short-term make-work programs. That means that the unemployment offices fund jobs for a maximum of six months, to get people off the street, for the time being. When the time runs out, others are selected to get the benefit from such programs. Citizens "employed" in such projects—mostly unproductive public sector jobs, such as summer-time municipal gardening—are no longer listed in the official jobless statistics, because, for those six months at least, they do have a job.

In June, nearly 50,000 Germans were selected for such programs, which did improve the jobless statistics. But, the programs will not last long beyond the elections in September, and will run out by the end of 1998.

The 300,000 make-work jobs created between March and October are not an "upswing," but just kicking sand in the eyes of the voter.