

Germany Struggles for New Economic Policy

by Rainer Apel

German Chancellor Gerhard Schröder's June 13 keynote address at an economic policy congress of his Social Democratic Party (SPD) was useful, to the extent that he came out strongly in defense of the social market economy model—meaning, defense of living standards, including of the most vulnerable sectors of society—and that he announced legislation to tighten control of hedge and equity funds. The hedge funds, which are completely unregulated, are taking enormous losses on global markets, especially since May, when the debt of General Motors and Ford was downgraded to “junk” status by Standard & Poor's.

But Schröder was wrong, when he announced that “the debate about the system is decided: All theoreticians who ever forecasted the imminent collapse of capitalism, have been discredited by reality.” Saying that at a moment when even the usually strongly pro-monetarist ideologues in the economic press of Germany and Europe are warning of a blow-out of the hedge funds in the nearest future, shows that Schröder himself is still at odds with economic reality. Otherwise capable of grasping certain ideas of statecraft and positive power politics, the Chancellor keeps trying to square the circle, by combining such policies as his brutal budget-cutting Agenda 2010, with attempts to tighten controls on the financial markets. Schröder defends the social market economy model in one sentence, and in the next breath he reiterates his commitment to the budget-cutting reforms, with all their devastating, unsocial consequences.

Both aspects were featured in Schröder's Berlin address. The better passages went as follows: Schröder said that politicians are challenged by the need not to allow globalization to cause social disruptions, but to intervene in this process. Even if the dynamic of capitalism was impressive, a free market economy was “not just by nature.” And there are those, among the opposition parties, that go around with the fraudulent label “new social market economy,” which only serves as a pretext for a “willful retreat from the social sphere.” Those who think so, “lay an axe to the foundations of the social market economy,” Schröder said.

Politics is supposed to secure a life for citizens in dignity and in productive labor, Schröder said, adding that his notion of freedom is not that of the free market, but “freedom from alienation, exploitation, and poverty.”

What is needed is “a state that puts the common good above the particular interests,” because “without a strong and social state,” there would only be “privatization of education, of the public goods, and of infrastructure, as well as risks to life.” Responsible entrepreneurs, of which there are thousands in Germany, don't look for short-term maximization of profits, but pursue “a longterm objective, a strategy. They want to be the best, not the cheapest. . . . And it is those enterprises which contradict the allegation that the common good and social cohesion are a fair-weather luxury that cannot be afforded in difficult times.

“If global markets jeopardize nationally achieved standards, we are obliged to protect the freedom, the stakes, and justice that we have achieved in the German social state, through European and global regulations. We do not want just to be world champions in exports of goods, but also in the export of these values. The social market economy that has made our country strong, is not outmoded, it is a model for the global economy.”

Regulate the Hedge Funds

“Foreign investors and also investment funds are and remain highly welcome in our economy, but what remains decisive, is that they play by the rules of our social market economy,” Schröder said, adding that “the short-term engagement of some hedge funds in Germany in the most recent period has rightly posed some questions,” so that the criteria under which they operate in Germany, are being reviewed.

“We want stable financial markets. That is why we need effective monitoring on a global scale, and a visibly improved transparency of the hedge funds. I will, therefore, use the G-8 summit to endorse the definition of internationally unified minimum standards for hedge funds. And I will endorse there, again, measures for the improvement of transparency on the oil markets. The speculation on the oil markets still poses big threats to the economies of the consumer nations.

“In order to improve the transparency of the hedge-fund market in Germany, we will consider the obligation to make public any asset purchase—as already is the practice in the United States and in Great Britain.”

“Without social justice, there is no real freedom nor democracy,” Schröder concluded his address.

Labor and the Social Democratic Party

The Chancellor's reluctance to move efficiently against monetarism, to incorporate essential aspects of the LaRouche-led international momentum for a New Bretton Woods global financial reorganization, radiates into the Social Democratic Party, which is trying to avoid a public debate on these issues. The SPD has shown no sign yet that it might align with politicians in Italy who recently passed a parliamentary resolution in favor of an international conference to reorganize the bankrupt financial-monetary system. Just as the LaRouche movement is working on, and with leading

Democrats in the United States, so the catalyst for a change in Germany is the German LaRouche movement and its Civil Rights Movement Solidarity (BüSo) party.

Helga Zepp-LaRouche, the national chairwoman of the BüSo, on June 14 announced her candidacy for Chancellor, in the Fall elections (see her statement, below), and a lot of leafletting, e-mailing, and other contact work is being done now, by the LaRouche forces into the SPD and its constituencies. In Berlin on June 13, as Schröder was speaking, LaRouche Youth Movement organizers were talking to participants, handing out programmatic leaflets and other material.

It is from within the labor movement, that economic issues, such as the hedge-fund problem, are being addressed much more aggressively than within the SPD. The labor unions are hammering away on the issue of a state-run incentives and employment program. A 28-page programmatic platform was published by the German Labor Federation (DGB) on June 8. Under the title, "Shaping Germany Socially," it calls for an increase of public sector investments to 2.5% of GDP annually (from only 1.4% presently). The money, which with a GDP of now 2.2 billion euros would then be in the range of 50-55 billion euros, would be spent on projects of science and research, social and health infrastructure, but also transport infrastructure.

The memorandum calls for an anti-speculation tax, for much tighter controls of hedge funds than those announced by the Chancellor, and for a "new financial architecture," with the central banks entering agreements on stable currency exchange rates to build a wall against speculative attacks. The DGB urges the German government to take a leading role, among G-8 nations, in the promotion of such an arrangement.

Thus, the labor unions made a step forward, with the potential of joining the campaign for a New Bretton Woods (a term not used by the DGB, though); this step still is to be made by the SPD, but the labor base of the party may help the Social Democrats to soon make this long-overdue step.

Helga Zepp-LaRouche

Why I Must Become Germany's Chancellor

In the immediate aftermath of German Chancellor Gerhard Schröder's June 13 speech on economic policy, Helga Zepp-LaRouche, the leader of the Civil Rights Movement Solidarity (BüSo) party in Germany, declared that she will run for Chancellor in the expected September national elections. Her full statement follows. Subheads have been added.

Much of what Chancellor Schröder said on June 13 at the so-called Capitalism Congress of the Social Democratic Party, was good and urgently necessary to have been said: that a strong state must defend the common good of all in difficult times, that certain neo-liberal powers have spoken with sophisticated fraud of a "new social market economy," and in reality, wanted to lay an axe to the root of the social state, and that he, Chancellor Schröder, would insert himself on the international level so that the hedge funds would be compelled, through registration requirements, to be transparent. So far, so good.

The problem lies in what he did *not* say: namely, that the Common Good can only be defended under the currently exploding systemic crisis, if the government begins with a state investment program of at least 200 billion euros this year alone, and then continues this on a yearly basis, in order to again reach productive full employment. The other thing the Chancellor also said nothing about was the dramatic collapse of the international financial markets, and the resulting necessity for a new financial architecture, a new Bretton Woods system. And as I announced in my declaration of June 10, in the event that Schröder fell short of what's required on these two points, I hereby officially declare that I will participate in this crisis situation, as a candidate for Chancellor in the coming Federal elections.

The Real Problem

Because the situation could hardly be more dramatic: Already, on the next day, June 14, the whole gamut of the financial press, from the [London] *Financial Times*, to *Handelsblatt*, to the *International Herald Tribune*, to the [Swiss] *Neue Zürcher Zeitung* as well as admitted publicly what, until then, was only insider knowledge among financial circles and governments. Namely, that a bloodbath had played out among the "locusts," the so-called hedge funds, in the first half of May, and that its systematic effects are now rushing forcefully toward the surface. As a result of the fact that General Motors and Ford had been downgraded to junk bond status due to their hopeless over-indebtedness, the hedge funds who were speculating in these bonds have lost, according to the statements of market participants, up to 40 or 50% of their capital. The dynamic of accumulated risk has again brought a whole series of international investment banks to the edge of going under, a situation which cannot be hushed up much longer due to its huge dimensions.

Thus, when the Chancellor spoke about the necessity for transparency for the operations of the hedge funds, he did so naturally with the knowledge of the real situation of this mega-speculation; and therefore, I simply cannot let pass unchallenged, his statement that the debate over economic systems is definitively closed, thanks to capitalism's ability to adapt to change. Indeed, I venture the forecast that the world is not going to want to see or hear more about the "impressive dynamic of capitalism," once the first victims