# Germany Is No 'Island of Stability'

by Rainer Apel

Many among the German policymaking elites, watching the increasing chaos in France, Britain, and other European countries, have smugly concluded that this will benefit Germany as an "island of stability." Many would even go so far as to say, in the wake of Chancellor Angela Merkel's talks with President George W. Bush at the White House, that Germany's rating is much improved now in Washington, D.C., coming close to a "special relationship." But were Merkel a leader with real political-economic vision, she would not be tying Germany's boat to a sinking ship like the Bush-Cheney team.

The biggest flaw in the Merkel policy is not even that, but her attachment to the bankrupt global economic system. The repeatedly stated loyalty of the Chancellor and her Grand Coalition government to the European Union's Maastricht regime of budget-balancing austerity, and hence the ban on any state interventionism of a size that would make a difference, is what makes the seeming "stability" of Germany a rather fragile matter. Unemployment is still hovering around the official figure of 5 million (real unemployment is almost twice that)—right where it was when Merkel took office in November 2005. Private-sector industrial investments have not increased by a rate worth mentioning, and significant state investments in public projects for infrastructure development are not envisaged.

Moreover, the government is seriously considering privatizing the state-owned German Railways during the period from 2007 to 2010, because the expected revenue of 13-14 billion euros is desperately needed by the government—not for projects, but for "consolidating" the state budget from 2007 on. Privatizing here, privatizing there, that is governmental policy in Germany: selling off the highways, the ports, the airports, the state telecom agency, and additional state property, are all under discussion.

More cuts in the public health system are planned, and the government also wants to permit Real Estate Investment Trusts (REITS) to operate freely from 2007 on. What the government plans in respect to the REITs, is brutally invalidating the timid steps taken by new legislation to have "more transparency" in what hedge funds and private equity funds are doing in Germany. The German economy is under a massive attack by speculative funds, an attack that is carried out because the "stability" of Germany is as attractive to the speculators, as a fat goose is to the hungry wolf.

## Strikes, Austerity, Political Unrest

Neither is Germany really stable in terms of the political and social situation. Latest polls show declining support for the Grand Coalition government, and the relative popularity of Chancellor Merkel has mainly to do with her foreign policy (no Iraq engagement, no war against Iran, more cooperation with Russia, India, China). Domestically, one big labor strike is coming after the other: in the public sector, the metal industries, the hospitals, even the police. Hospital doctors have been on strike for more than two months now, while students are taking to the streets in Germany's university cities. And the association of civil servants is placing ads in German news dailies, protesting the increasing budget cuts. That is not a situation which one would call "stability."

And there is no solution to any of these conflicts within the existing system. If the politicians tell the public-sector workers, or if the entrepreneurs tell their workers, that any financial concession to them means that the money has to be "generated" through cuts somewhere else, it is true, the way things stand now. If the authorities on the state and municipal level say that they cannot invest in or pay for schools, public transport, and social housing, it is true, because tax revenue always runs short by 30, 40, or 50% (in the capital city of Berlin, there is a 60% shortfall).

## Break With Maastricht

The change for the better can only come from a change of economic and financial policy principles. If Germany wants to invest, to mobilize production and employ more citizens, to have an improved tax revenue and more capacity to handle the labor, social, health, and pension budgets, it has to walk out of the Maastricht regime. With Maastricht, the economic-financial sovereignty of Germany is under the control of the European Commission and the European Central Bank. It is the same with the sovereignty of every other European nation that is a member of the Union.

If Germany wants to do what many in the rest of Europe hope it would do, namely to make use of its "relative stability" and become the catalyst of a recovery of political and economic affairs, then Germany has to make the first step to break with Maastricht. That is probably the last thing that the German elites would want to do, but it has to be done. It will be difficult, it will be turbulent, but it can be done, if the German government and elites stop tying their boat to the sinking Bush-Cheney ship, and instead link up to the LaRouche current in U.S. politics—the best ally that Germany and Europe actually have, in their struggle for economic-financial sovereignty. That is what the LaRouche movement in Germany is telling the Germans, in particular the citizens of Berlin, where the campaign for municipal elections in September has begun. The LaRouche proposal for a New Bretton Woods global financial reorganization is the indispensable condition for stability to be restored in Europe.