

Ruhr Chambers of Commerce accuse central bank of de-industrializing economy

The chambers of commerce of the Ruhr area cities of Bochum, Dortmund, Duisberg, Essen and Münster have just released a joint report on the state of the Ruhr economy, and the causes for the higher than average rates of unemployment there. The economic problems of the Ruhr, the report states, "during the 1970s have been primarily the result of a general process of de-industrialization of the economy of the Federal Republic of Germany."

The report analyzes the growth of the service sector of the economy, which in the state services alone now accounts for 19.2 percent of persons employed, as opposed to 11.9 percent in 1960. Among other causes, the report minces no words about the role of the "non-neutral monetary and exchange-rates policy" of the German Bundesbank in accelerating the de-industrialization of production and of the workforce.

Since 1973, the German Bundesbank had maintained high rates of real interest, which caused an "artificial deterioration of the competitive position of the German economy."

The tight monetary policy which accompanied the high interest rates set the limits to industrial price increases in the name of fighting inflation and maintaining stability, but in fact produced "an increased pressure to lay off operatives and nationalize production" on a lower scale of capacity utilization.

"The exchange rate effect affected only those economic branches which must compete internationally, i.e., West German capital-goods industries, "while other sectors of the economy were untouched," such as the service sectors and less export-dependent consumer-goods sectors.

"The mechanism of this monetary policy was strong enough," the report points out, "to enforce the notions of stability entertained by the central bank, but at the price of 'de-industrializing' the structure of production, contrary to the economic requirements of the country."

"The Ruhr region is more interest-rate sensitive than other regions of the Federal Republic because of the comparatively high capital intensity," and "the de-industrialization process to be observed for the Federal Republic in general and the industrial regions in particular especially since 1973, have far more severe effects in the Ruhr." "The non-neutrality of monetary policy has exacerbated the de-industrialization process . . . and destroyed viable production structures."

Up to 1973, 36 percent of Ruhr-area production in the electrical equipment field was in heavy industry electronics and turbines. Since then 20 percent of the jobs in these sectors have been destroyed, particularly in the years 1974-76, when the well-known problems in obtaining permits for and in construction of coal and nuclear power plants began to be sharply felt. Those sectors of Ruhr industry, which had been so successful, were then thrown back to their level in 1968, as far as its labor force was concerned."

In its general recommendations, the Chambers of Commerce say that "generally, a forced growth policy is to be promoted, in the course of an industrial strategy which encourages private investments, and thus providing new opportunities for areas of high industrial concentration."

With respect to the international economic and monetary aspects of policy, the report is weak. In discussion with *EIR*, one of the authors of the report explained that the intent was to launch a political discussion process that had died out since the 1960s. "The way the Bundesbank thinks, once the U.S. dollar drops, and U.S. interest rates begin to really drop, the Bundesbank will only follow up to a point. Then they will appeal to their usual notion of stability, and maintain their historically high interest rates. Overnight, German goods will cease to be competitive, and firms will not be able to realize profits from exports that they could then re-invest."