Report from Bonn by Rainer Apel

The depression that won't go away

The German government chooses not to see reality, but industrial output statistics paint a foreboding picture.

Only a couple of weeks ago, commentaries in the international press said that most leaders of western nations would be replaced in the near future—except German Chancellor Helmut Kohl, whose robust character and the stable shape of the German economy would keep him in office.

Kohl himself still seems to cling to this perspective. Back from weekend talks with George Bush at Camp David March 23, the chancellor said that he was more than confident that his current government's approach to economic problems, especially those in the five eastern states of Germany, was right.

"Mark my words—we'll all celebrate the existence of the first blossoming economic regions in the east of Germany on my [64th] birthday April 3, 1994," Kohl declared. He explained he was convinced all problems would be straightened out in the "20 months we will have without any elections between April 5 this year and the end of 1993."

This is Kohl's version of Bush's famous "read my lips." But the number of prominent critics of his policy is increasing daily. At the opening of the Leipzig industrial fair March 4, two of them fired the warning shots against Kohl.

Criticizing the rosy propaganda about an upswing in east Germany, German Federal President Richard von Weizsäcker said "the time and effort needed to bring affluence" to Germany's east had "been badly underestimated." He said more should be done by the political leadership to solve the problem that Germans, mostly in the west, had been led to "deceive themselves in believing that capitalism in the west was robust enough to fuel growth in the east."

This, Weizsäcker explained, had proven to be a grand delusion, as the economy had come to a standstill after two years: "The west German economy has had much profit from the demand factor created by the reunification. The east German demand for goods just came at the right time to help fill the holes resulting from the weakness of world trade."

Tyll Necker, president of the BDI, Germany's industry association, warned in Leipzig: "A failure of industrial recovery in Germany's east would push all of Germany into depression." Should Germany as a whole fail to create a "self-sustaining upswing" in the east through massive investments—maybe even at the price of slowing down some projects in the west—"not only east Germany but the economic potential of the Federal Republic as a whole would suffer lasting damage," Necker said.

Industry-government relations are turning frosty: Neither Necker nor other senior representatives of the BDI attended the chancellor's monthly "economic roundtable" in February, in protest to his shallowness on economic matters and use of flowery words to portray an economic "success story" nobody believes.

The latest official statistics which should be on the chancellor's desk compare industrial output in the five eastern states of Germany of November 1991 with November 1990 as follows: Precision mechanics, optics, down 88%; data processing equipment, down 71.4%; electrotechnics, down 54.7%; machine-building, down 37.9%; textiles, down 32.8%; cars and trucks, down 22.3%; chemical products, down 14%; food products, down 13.3%.

The decline has even continued since November, plunging to 54% below the average output of 1990. Industrial employment—the various substitute job creation programs not counted—is down to one-third, tending toward one-quarter, as compared to 1990. This is coming close to the results of two years of "shock therapy" in nearby Poland.

The Kohl cabinet's response to these figures has been to endorse more austerity. The policy was voiced at recent meetings of the monetarist institutions which Germany belongs to: the International Monetary Fund, the World Bank, and Group of Seven.

When German Finance Minister Theodor Waigel summed up the results of the G-7 meeting at Garden City, New Jersey on Jan. 26, he told the press that the meeting had expressed concern in its final resolution about the development of incomes and social costs in Germany. The Garden City resolution read like a variation of the report the IMF presented at its Bangkok meeting last October that also expressed "deep concern" about the increase of wages especially in east Germany.

That IMF report called the German government's investment subsidies for the industry in the east a "potentially bottomless barrel," and blasted the Treuhand state trust agency for slowing down "rapid privatization" and its policy of creating safety nets for factories not "fit for survival" rather than speeding up the "adjustment process." Waigel said in an interview with the *Wall Street Journal* March 24, that state expenses for east Germany would be cut drastically. He was echoed by Kohl in Bonn after his meetings with Bush. They might as well have said: Yes, we have chosen depression.