

Report from Bonn by Rainer Apel

Unprepared for leadership in a crisis

The political elite prefers to stick with the monetarism of the International Monetary Fund.

With the Sept. 27 elections for national parliament less than four weeks away, the economic policies of the two biggest parties, the governing Christian Democrats (CDU) and the opposition Social Democrats (SPD), are coming more into focus. It is expected that under the increasing pressure from the financial crises in Asia and Russia, the two parties will form a Grand Coalition after the elections. This is what a majority of voters and industrial managers want, but, how do the two parties view the ongoing global economic crisis?

Among the more apparently reality-oriented comments was one by Ernst Schwanhold, chief economic policy spokesman of the SPD parliamentary group, in Bonn on Aug. 24. "The Russian crisis," he said, "is escalating in a dangerous way, with massive threat potentials to the German economy, banking sector, and stock markets. . . . Russia and the Russian crisis are an essential component in a world economy that is turning more and more problematic."

Schwanhold said that, "according to estimates done by Deutsche Bank Research . . . 38% of the world economy is more or less in a state of crisis: Southeast Asia has had grave problems for a year; in addition, Japan has had loans in the range of 1.3 trillion German marks; there is strong pressure on China, including the natural catastrophe; and now, Russia is on a slide down and insolvent. Moreover, the situation in Latin America is getting more problematic. And, the United States is in a process of controlled conjunctural downturn."

Even more precise were remarks

by SPD national party chairman Oskar Lafontaine, in Bonn on Aug. 24. He said that the Russian crisis must be seen in "the broader context of the worsening world economic situation," and that the Russian crisis cannot be solved in Russia alone. There must be "global agreements on a fixed exchange rate system," he said, because "the world financial markets need an ordering framework."

By contrast, the government of Chancellor Helmut Kohl prefers to talk the Russian disaster down. Its view was summed up in the Aug. 20 *Frankfurter Allgemeine Zeitung*: "The federal government states with emphasis that there is no crisis of the world currency system. There are problems with the functioning of the world financial system, though."

There is a paradox here: The CDU, of which Kohl is the chairman, denies the existence of a crisis, while the SPD addresses it. How these two views could cooperate in a coalition is the question. The answer is much simpler than most people think, because the two parties share the same principles of monetarism. Granted, Lafontaine is known for having a nose for new trends, like re-regulation of the financial markets, but he is also known for not grasping much more than that.

The search for actual concepts behind such fine-sounding statements among the Social Democrats, leads nowhere. Rather, SPD loyalties to the monetarist structures around the International Monetary Fund (IMF) are all too visible. The SPD does not want a New Bretton Woods, and the SPD's Chancellor candidate, Gerhard Schroeder, has repeatedly said that he

opposes transaction taxes and similar anti-speculation measures. He also said so in his Aug. 5 speech on globalization at Georgetown University, in Washington, D.C.: "We must minimize its risks and maximize its opportunities, not just for a minority but for everyone. To this end, market forces should remain unbridled; this century has taught us that attempts to do the contrary lead to disaster."

All that Schroeder was ready to endorse, was "jointly managing globalization." He met with U.S. Federal Reserve Bank Chairman Alan Greenspan on Aug. 5, and it has been leaked in the media that Greenspan voiced deep concern about the ongoing collapse of Asia, particularly Japan. It is not known what Schroeder told Greenspan, if anything. A senior SPD aide in Bonn told me, that the party's policy on the global financial situation is not to call for new institutions, but rather to make existing ones, including the IMF, the Group of Seven, and the World Trade Organization, "more flexible" and "more efficient." And, it is not known in the SPD, the aide said, that Lafontaine, for all his calls for a "return to fixed exchange rates," wants anything outside of the IMF structure. An SPD-led government would just do more than the present CDU-led government, to tap the "potentials" that the Social Democrats believe exist in the global monetarist structures.

This just confirms that the SPD is way behind the global debate on re-regulation, and is not part of any debate on a New Bretton Woods system.

The CDU acts the same, in the belief that staying with the sinking *Titanic* will prevent it from going under. An old party rival of Kohl's, Kurt Biedenkopf, in an ironic aside at a CDU campaign kick-off event in Dortmund on Aug. 23, said: "Had Helmut Kohl been the *Titanic*, the iceberg would have sunk."