

## Report from Bonn by Rainer Apel

### A lot of ugly trouble lies ahead

*The new government of Chancellor Gerhard Schroeder is faced with far graver problems than expected.*

**M**ost likely, the new government that will be sworn in at the end of October, will be a “red-green” coalition of Social Democrats and ecologist Greens. Its leaders will come to realize that defeating the Helmut Kohl government in the Sept. 27 elections, was much easier than governing, as the global economic collapse goes into its next round.

The red-green politicians who will now try to govern Germany are not prepared for the job. They have dangerous illusions about ecological projects, timetables for a shutdown of nuclear power technology, and boosting the service sector at the expense of traditional industry, particularly heavy industry. They have not paid attention to the ongoing global crisis, and their worldview was expressed in a striking way by Foreign Minister-designate Joseph Fischer of the Green party.

After his first meetings in Washington with U.S. State Department officials, Fischer told the press on Oct. 10 that the big problem, is that the new government would have to “operate in an environment that none of us expected to be there after the elections—for example, the world economic crisis.”

Despite numerous public statements by the Social Democrats and the Greens that “something must be done against speculation,” the prevailing policy orientation of the new government is not international, but confined to the European Union and its 15 member-states. The new government has so far not shown any commitment to do what would be appropriate for a lead-

ing industrial nation like Germany: efficiently deter speculators, impose capital controls, create incentives for infrastructure and industrial projects, and expand high-tech production and exports.

Quite the contrary: Leading politicians of the new government, like Minister of Finance-designate Oskar Lafontaine, have ruled out any concrete steps against speculators, such as capital controls. All that remains after all Lafontaine’s polemics against the “chaos on the markets,” is his assessment, reiterated many times, that “globalization is a fact,” and that “no intervention against the markets” should occur.

This red-green government will not do much for German exports, because it is not committed to do so. Instead, Lafontaine and other red-green leaders believe that they will be able to operate in a zone of economic and monetary stability, protected from the global chaos, within the prospective European Monetary Union. As for German industry, the red-green leaders think in terms of domestic incentives: increase consumption, promote labor-intensive ecology projects, and cut state subsidies to deficit sectors like agriculture and high-tech research and development (space, military, and so on).

They have no intention of generating new industrial credit, but plan to lower the interest rates and income taxes, to redistribute the money that is there. What is spent in one area, is taken away from another one, in a balanced, zero-sum budget policy.

But, because of the deepening

global economic depression, the tax base in industry and among the employed labor force is continuing to shrink. The red-green government wants to compensate for the losses in tax revenue, by new special taxes on the consumption of raw materials and energy, i.e., the “ecology tax,” which will hit the broad population. Of the 2,700 deutschemarks which the red-green experts promise will accrue annually to every lower-income household from a decrease in income taxes, most will be absorbed by price increases for energy and consumer goods caused by the ecology taxes. The taxpayer will be bled to support this entropic design of the red-green government, and will not be an iota better off than it was with the Christian-Liberal coalition.

Social conflicts between the labor unions and the new government are already preprogrammed (ironically, not least because of the red-green promises of domestic consumption incentives). The unions feel encouraged to call for wage increases, and the biggest union, the metal workers, is already beginning to do so, with its demand for a wage increase of 6.5%. What the red-green experts would grant, in order not to upset their balanced budget, is 2.5%. Wage freezes will provoke broad labor protests against the new government.

Also, the new government is committed to following the example of the United States’ disastrous 1996 welfare reform, with the foul slogan that “any job, even if poorly paid, is better than none.” This implies the abolition of the traditional German welfare system, and voters will recall that they voted the previous neo-liberal government out, because of its repeated assaults on the welfare system. Pursuing just another variant of the same policy, the new government will come under massive pressure, rather soon.