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some concessions to the Germans, than risk open conflict also with them.

Conflict with the European Commission

Indeed, the conflict between Germany and the Brussels EU Commission came to a head, when Chancellor Schröder said at a press conference in Berlin, that questions about the compatibility of the envisioned flood relief programs with the budgeting criteria of the EU's Maastricht Treaty "do not interest me at all, let me tell you that right away." (The EU does not allow member countries to have a public deficit larger than 3% of GNP—a provision which strips national governments of the sovereignty to make decisions for the general welfare, in states of emergency such as the present one.) And German Economics Minister Werner Müller went a step further, stating in interviews the same day, that he expects the EU Commission to decide on "generous" exemptions from the budgeting regime, to enable the governments of Germany and the other states affected by the flood catastrophe, to fund recovery programs.

Commission President Prodi, visibly agitated by these remarks, rushed to the media to declare that the Commission would offer some extra aid, but would insist, at the same time, that the "floods will not be taken as a pretext to circumvent the Stability Pact." The German Chancellor then had his office tell the media that the EU Commission had better show a serious commitment to fight the flood damage, or risk the total loss of confidence of the European populations in this grave crisis.

Chancellor Schröder said after the Berlin meeting, that

Germany: Invest 'Job Bonds' in Transport

Creating employment by issuing "Job-Floater" bonds, the German government's new proposal as unemployment soared over 4 million, only works if the state invests in sensible projects. In Germany, there are innumerable such projects which have not been completed or have hardly even begun, on account of the fiscal and economic austerity policy of recent years.

In the final phase of the election campaign, the federal government suddenly is discovering that millions of new jobs can be created using unconventional financial methods. The starting point for this is above all the question, how will the requisite financial means for cranking up the economy be applied? For, given the extremely insecure world political situation and the extremely dim outlook for the world economy, hardly any entrepreneurs are prepared right now to engage new labor power, just because the government promises a one-time bonus should they do this.

A completely different situation would involve the German government's finally declaring it a priority for Germany to take up the decade-overdue reconstruction of Eastern and Southeastern Europe, through bilateral and international agreements. This would simultaneously fire the starter pistol for constructing the western sections of the four biggest projects of the Eurasian Land-Bridge. Under these conditions the same entrepreneurs would, in time, ascertain that they are in the middle of the greatest growth region of the world economy, and that much sooner secure the labor power still available today, rather than not be able to find it tomorrow.

650 Billion Euro Investment Needed

Accordingly, the German federal government must lead the way by investing, in a big way, in renewing domestic infrastructure. In order to remedy the negligence of the past decades, an enormous catching up of the deficit in infrastructure investments of all kinds is needed.

With respect to the cities and municipalities of Germany alone, the cumulative shortfall of investment, according to the estimates of the German Institute for Urban Studies, amounts to approximately 650 billion euros. Even with regard to the eastern German municipalities, investments in infrastructure since 1992 have even been continuously declining. City street renovation has been eliminated, bridges are falling down in disrepair, hundreds of thousands of kilometers of sewer mains are in dilapidated condition and must urgently be replaced.

Add to this, the investment bottleneck in the federal transportation system. According to the federal transport grid plan from 1992, in all, investment in German interregional roadways, railways, and waterways between then and 2012, ought to have been 275 billion euros—more than 25 billion euros per year. However, as a consequence of the fiscal calamity of the states, these undertakings, decisively important for Germany's economic productivity, were abruptly termed "big castles in the sky" by the federal Minister of Transport, and eliminated altogether.

Not one of the 17 "German Unification Transport Projects" (VDE), with a total budget once seen as 29 billion euros, was spared the austerity axe in the 1990s. Essentially, the highways and rail projects for the main East-West artery alone, between Hanover and Berlin, were completed, and those very sparsely. The rest of the projects, even if they carry the "high-priority" label, have been shelved.

Now, they are suddenly urgent for employment needs, and as well as for the productivity of the whole economy.

—Lothar Komp

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