

Bonn's Thatcherites assail state debt

During West Germany's federal election campaign this summer and fall, the forces opposing Chancellor Helmut Schmidt's reelection created a stormy controversy over the issue of the state debt. Inciting fears of Weimar-style inflation and state bankruptcy, candidate Franz Josef Strauss and the Roman Catholic Church joined forces to denounce the Schmidt government for its allegedly disastrous level of state indebtedness.

While the campaign lasted, Schmidt's coalition partners in the Free Democratic Party (FDP) kept silent on the issue. But now that the election is over, the FDP has joined the torrent of calls for drastic budget cuts, along the lines of Prime Minister Margaret Thatcher's program in Great Britain.

The opposition parties, the Christian Democratic Union and Christian Social Union, have declared that their agreement with the FDP on the debt issue will be the cornerstone of a joint policy that will lead to a shift in alliances on the part of the FDP and thus the collapse of the Schmidt government before the end of its four-year term. "The fat years are over" is the theme of the FDP and press organs close to it, like the news magazine *Der Spiegel* and the weekly newspaper *Die Zeit*. Amid predictions from West Germany's five leading economic think tanks that the economy will achieve no growth in the coming year, FDP economics minister Count Lambsdorff—a self-proclaimed advocate of Thatcherism—is demanding a restriction of state credits, particularly to research and development for nuclear energy, including the fast breeder and high temperature reactor research program. FDP parliamentarians close to Lambsdorff are demanding the dismantling of long-term basic research "hidden" in the defense budget.

Foreign Minister Hans-Dietrich Genscher, who heads the FDP, boasted in an interview to the daily *Die Welt* Oct. 24 that the campaign against the debt—and hence against the government—was really initiated by his party. The FDP spokesman in the Bundestag "was the first in a long time to draw attention to the need for limiting the expansion of the budget," Genscher declared. "Subsequently he was followed by the CDU and in the end even by the bishops' conference. But he was the one who flashed the signal in that respect. We will deal quite consistently with any realistic austerity proposal in the budget."

Genscher's mention of the bishops' conference refers to a controversial pastoral letter that was read from the pulpits of 12,000 churches in September, criticizing the

Schmidt government for "sacrificing our youths' future by following a policy of inflationary public state debts." The pastoral letter was seen as an endorsement of Schmidt's opponent Franz Josef Strauss. Shortly thereafter, Archbishop Josef Höffner endorsed the policy of zero growth, denouncing in particular the development of nuclear energy as a "cancer that threatens to engulf all of God's creation."

Chancellor Schmidt responded by changing unwarranted interference by the Church in political affairs. "I don't see anything about state indebtedness in either the Old or New Testaments," he said.

In a major interview to the *Kölner Stadt-Anzeiger* Aug. 7, Chancellor Schmidt elaborated his view of the debt question:

To begin with, it is absolutely normal that the state contracts credits for its investments. It is just as normal as if an industrial enterprise building a new, large installation obtains credits for that purpose and later services these credits. . . . The bigger the company grows, the greater become the credits the company obtains; this is absolutely normal. . . .

I must draw attention to the fact that the Federal Republic of Germany in this respect is in one of the best situations in the Western world. Only Switzerland is in a similarly fortunate position. In Switzerland as well as in the Federal Republic of Germany the debt currently amounts to about 30 percent of the gross national product of just one year. In the United States it amounts to more than 50 percent of the GNP, in England and Italy, 60 percent of the GNP a year. Mind you, all these are states having higher interest rates than the Federal Republic of Germany. We are even better off than the German Imperial Reich was at the time of Wilhelm II. In the last prewar year, 1913, the total public budget debt in the German Reich came to 62 percent of the GNP of that time.

Schmidt's argument is cogent as far as it goes; but the likelihood of a severe recession in the Federal Republic next year means that the pressures for a "Thatcherite" economic policy will continue to mount. The alternative is a world economic system based on high-technology industrial development; the European Monetary System created in 1978 by France and West Germany was intended to initiate this transformation, but has not been fully implemented.