Trade unions attack Bundesbank

Chancellor Schmidt's labor base, centered in the Ruhr, has challenged the "independent central bank" dogma.

The Frankfurt fortress of the venerable "guardians of the currency," the German Bundesbank, is under siege. The aura of composure that its president, Dr. Karl-Otto Poehl, and his staff present to the outside is badly shaken. In bankers' cocktail parties there prevails a grumbling murmur: West German Chancellor Schmidt has parried the drastic deflationary programming of his domestic economy demanded by the International Monetary Fund and designed at the Ottawa summit meeting, thanks in very large part to his base in the nation's trade unions.

What has the Bundesbank irked is the fact that the chancellor's trade-union power base cannot be dismissed as a "leftist" phenomenon. The strongest trade-union power is concentrated in the industrial Ruhr region of North-Rhine Westphalia, where a frontal attack on the Bundesbank's screen of "independence" is under preparation.

Herr Siegfried Bleicher, Ruhr chairman of the German Trade-union Federation (DGB) and a leader of Schmidt's Social Democratic party (SPD), has issued a number of interviews and press releases reiterating the theme that "it is no longer tolerable that an institution which does not answer to the parliament like the Bundesbank continues to prevent necessary monetary policy actions on the part of the government."

Judging from several discussions with trade-union spokesmen across the country, this blast against the Bundesbank is spreading like wildfire. It also represents a significant escalation above the line of resistance drawn by the central headquarters of the DGB, which has confined itself to insisting, correctly, that the Bundesbank interest-rates policy has failed to stop the erosion of the German current-account deficit due to skyrocketing import prices booked in dollars.

Worse for the Bundesbank, the Ruhr trade-union mobilization against the sanctity of Bundesbank "independence," which has no more base in the *Grundgesetz* Basic Law, or (constitution), than that of the Federal Reserve in the United States, is spreading to its own branch offices there.

Trade-union representatives there tell us that ranking officials of the Landeszentralbank in the Ruhr have their ears "very close to the gound when it comes to the mood of industry," and are revolting across the board against Bundesbank arguments that record high interest rates in Germany—15 percent for top addresses, and over 18 percent for consumer credit and overdrafts—is having no appreciable effect on investment.

As Herr Bleicher's people tell us, "we are fed up with the sociologists' approach, trying to sponge up unemployment in the service sectors. We are going to have an industrial policy here, and if that means we have to escalate and move to directly change the Bundesbank law, then that is what we will do."

No one in the Ruhr would ever think of trying to fight City Hall, because most of the Ruhr cities are in firm control of the "Ruhr mafia," SPD mayors with a strong capital-intensive industrial-technology bias. Despite Bonn's current budget-cutting, the chancellor and his base are bound and determined not to allow the heavy-industry, steel base of the Ruhr to be eroded into a "postindustrial" swamp.

As the Bundesbank states in its July monthly report, the monetary growth target has been adjusted to the bottom corridor of 4-5 percent for 1981 because the recession has knocked the dynamic out of growth in "productive potential." The Bundesbank, however, aims its monetary policy to hold down this "productive potential." Capital goods demand has "shifted from investment that directly increases the growth of production to energy-savings investment, which . . . is essential for structural changes in the economy but contributes little or nothing to the expansion of productive potential."

From that the trade unions draw the simple and straightforward conclusion that the Bundesbank intends to favor a "structural change" toward less production-oriented, less energy-intensive investment, ideally represented by the service sectors of the economy. They have heard that line too long from Socialist International chieftain Willy Brandt.

George Gregory and Rainer Apel are the Executive Intelligence Review *bureau chiefs for the West German capital.*