German industry: six months to live

by George Gregory from Wiesbaden

The abrupt downturn that *EIR* forecast for the West German economy (Sept. 14, 1982) is under way. Total production in the West German economy fell from August to September by 3 percent. From the second to third quarter of 1982, production in manufacturing sectors fell, according to official reports of the Bonn Economics Ministry, by 4.5 percent, in the basic-materials sectors by 7 percent, and in the investment-goods area by 4.5 percent.

Total orders for industry fell in one month also by 3 percent, and orders for exports are currently 12.5 percent below last year's third-quarter
show that insolvencies and bankruptcies are increasing at a rate of 44.7 percent above last year, in manufacturing by 36.5 percent, in construction by 38.9 percent, and even in services by 45.9 percent.

Such data are not surprising. The crucial fact about the process of collapse is that there is no "island" in the world economy that can generate demand for West German exports. It is often said that only 25 percent of the jobs in the German economy are "export-dependent." In fact, jobs in the productive economy carry everything else, private and public services, on their backs. The German economy must export 40 to 45 percent of its real production to be able to pay for essential imports of fuel, raw materials, semi-finished goods, etc. There is no "domestic economic demand" that can balance out the collapse of exports which is now catching up with the fall in orders since this spring.

The machinery sector is 75 percent export-dependent. Here, orders for exports are currently 23 percent below last year. The rate of contraction overall, and the collapse of exports means that the German economy has, under present international monetary and economic conditions, approximately six months to live as an industrial economy.

Unemployment on the rise

The refusal of the Kohl government to take emergency action to support exports, and reliance on such gimmicks as "forced loans" from income-tax surcharges, domestic housing programs, and cable-television schemes, mean that the Christian Democratic-Liberal government has written itself a one-way, six-month ticket to hell.

There is therefore absolutely nothing temporary about the 42 percent increase in September to 828,000 workers on short work weeks. An honest economist must add this figure to the official 1.9 million (7.9 percent) West German unemployed. Short-work in the machinery area is now increasing most rapidly of all, with 123,000, followed by metals with 102,500. Overall Ruhr-area unemployment of 10.9 percent (versus the national average of 7.9) is overshadowed by the steel city of Dortmund (12.7 percent), Gelsenkirchen at 11.8 percent, Duisberg at 11.5 percent, and Bochum at 11.3 percent. These rates will jump again over the course of November as steel production is cut, and layoffs and short-work begin to affect the coal mines.

The rate of unemployment increase in the Ruhr is "slower" because the collapse is not so sudden. The rate of unemployment in the state of Baden-Württemberg is now accelerating at a rate of 46 percent, and Munich is being pulled in too. The AGFA plant has announced 3,800 layoffs, and another 2,000 at the Messerschmidt works in Munich alone.

One optimistic Frankfurt banker tells us that "we and the steel industry can hold on until the third quarter of 1983. Then there has to be an upswing." But there will be no upswing, we reply. "Then we will go into the trenches, for 10 years."

'The economic equivalent of world war'

The policy of the Kohl government was more honestly expressed by Dr. Heiko Vogeler, a manager of the giant Thyssen steel firm: "There is no way that we should or will produce steel in Germany. We must orient to the new industries, like electronics, services, engineering, and stop pouring money into the old industries. Everything in the Ruhr that has to do with high energy and heavy industry will be restructured and disappear. We must be grateful for this depression . . . historically, it is war that has fulfilled the function of eliminating excess capacities, excess people, excess cities and excess countries." He then explained that depression is the "economic equivalent of world war. There are too many capacities and too many people involved in those capacities."

Thyssen is distinguished from other steel firms not only by this unrepentant philosophy, but also because the firm is financially powerful enough to put 50 percent of its workforce, some 18,000 in steel production, on short-work for the next three months. Others have announced increasing layoffs and short-work. Saarstahl, with 20,000, may well be declaring bankruptcy in the next few weeks. Krupp has shed 4,000 from its workforce this year. "Dortmund," says a Ruhr steel expert, "is dead, but then the dead live a long time, as the case of England shows."

Within three months, most of West Germany's steel firms will be so financially weakened that they will not be able to hold on to their manpower with short-work. Even now, manpower is too short to be able to produce at the technical capacity of 58 million tons. At the end of January 1983, the real manpower capacity will be much lower—and Thyssen will dominate the collapsed market. Auto is headed down fast, in the footsteps of steel, and so is machinery.