Labor in Focus by Rainer Apel

Monetarists spur poverty in Germany

On Arthur Burns's cue, the Free Democrats have launched the drive to destroy the industrial labor force in West Germany.

"Fighting unemployment has never played an important role at the beginning of an economic recovery." This has become one of the slogans of West German government spokesmen whenever they have to speak on the economic situation. The other slogan is: "The costs of labor are too high in Germany; that is what is wrong."

The latter argument was introduced into the economic debate by none other than the outgoing U.S. ambassador, Arthur Burns, in a series of interviews appearing in mid-March. Former U.S. Fed chairman Burns, a staunch proponent of monetarist doctrines (for example, usury), proposed to lower workers' wages to prompt more investment and job-creation. Burns proposed to have the workforce pay for the depression caused by the monetarist at the International Monetary Fund (IMF) and the World Bank.

Burns's proposals have been amplified by the Free Democrats, Chancellor Kohl's coalition partners, who called for measures to lower the "costs of labor."

This is what Helmut Haussmann, the economic policy spokesman of the Free Democrats, said in several interviews during early April, and this is what Bonn Economics Minister Martin Bangemann—the national chairman of the Free Democrats—has said. Haussmann told the weekly *Bildzeitung* on April 2: "If a worker cannot find a job for 20 deutschemarks an hour, why should he be prevented from finding another one for eight deutschemarks, instead?" Haussmann attacked the labor movement for "raising obstacles to new flexibility on the employment front"—and the German labor movement, Social and Christian Democrats alike, called on Chancellor Helmut Kohl to "denounce this provocation immediately."

Numerous other prominent Free Democrats, among them the former economics minister Count Lambsdorff, have backed Haussmann's provocative call. On April 10, Bangemann poured more fuel into the heated debate on wage cuts in an interview with *Bildzeitung*. Bangemann said: "Work has become too expensive in our country. . . . I am sure an unemployed worker prefers to have a job with less than the average-contract pay, rather than lying on the street."

Calling for "regional differentiation of wage levels," in order to make regions with lower wages "more attractive to investments," Bangemann said he considered it "an insanity that there are the same wages at Arbed Steel, which is deep in the red, as at Thyssen Steel, which makes a good profit." Bangemann also demanded that the lower-income categories of work be given lower increases in future wage-bargaining rounds. Bangemann leaked in Bonn that he wants to cut state subsidies to zero—to contribute to the "consolidation of the administrative budget."

What the FDP proposals, and especially Bangemann's, mean for the depressed West German economy is drastically shown by the company he named—Arbed Steel. Arbed, the main industrial production center and largest employer of industrial labor in the state of Saarland, had 22,000 workers five years ago, but the world steel crisis and the European Commission's steel production quotas have ruined the company: At present, only 14,000 steel workers are employed at Arbed, and most of them at the main plant in the city of Völklingen.

Now—with steel going down, mining and supplying industries will collapse. Tax incomes fall for the cities and the state, as well as private consumption. Unemployment turns into long-term unemployment, into social welfare conditions, and then poverty. Employment is kept at the current evel by state subsidies which have to be paid from credits taken by the government. Debt service for credits absorbs all of the surplus left in the state. Saarland finds itself in a situation similar to many Third World countries.

Saarbruecken, the capital of Saarland, once had the Burbach plant of Arbed Steel with several thousand steel workers employed. The plant collapsed—part of a much ballyhooed "consolidation plan." The unemployment rate in Saarbruecken jumped up to one of the highest in West Germany, over 17%. Another 15% of the population is on welfare.

The situation in Voelklingen, the site of the other big plant of Arbed Steel, which is still working, is even worse, since the city's population solely depends on steel, mining, and the supplying industries. Voelklingen had an official unemployment rate of 19% in March, with another 5% of the total population on welfare. The city administration expects that of the 1,400 still working at the plant, between 2,000 and 4,000 will have to be laid off in 1985 or by spring of 1986 at the latest, when the subsidies are scheduled to be cut. The unemployment rate would jump to 30 or 35%, and the rate of welfare recipients would double.