German currency union will create boom in Europe

by Rainer Apel and John Sigerson

The face of world politics was fundamentally changed on Feb. 8, when West German Chancellor Kohl, taking a cue from American economist Lyndon H. LaRouche, unveiled his proposal for the immediate economic and monetary union of East and West Germany, with the explicit aim of having a reunified Germany play the crucial role in rebuilding the shattered economies of Eastern Europe, from Czechoslovakia to Poland.

Kohl's announcement sounds the death-knell for the old debt-collectors' Bretton Woods monetary order—still clung to by the decaying United States and Great Britain—and proclaims the rise of a new economic order of rapid technological and industrial growth. Nowhere was the clash between the two opposite views clearer, than at the annual meeting of the World Economic Forum in Davos, Switzerland at the beginning of February. On the old economic order's side was Raymond Barre, Trilateral Commission member and former French prime minister, who droned on about strict adherence to the fiscal "discipline" enforced by the International Monetary Fund (IMF), and presented the hopeless, genocidal prospect of global "crisis management" and "credible, drastic [austerity] measures in Eastern Europe."

Barre, however, was entirely upstaged by an optimistic Chancellor Kohl, who predicted that the coming decade will not belong to the Japanese, as has been believed up to now, but to the Europeans. Kohl was backed up by his economics minister Haussmann, who sketched out a future powerful and productive economic entity comprising 500 million Eastern and Western Europeans.

The corridors at Davos were already abuzz with rumors of a secret West German plan for the most rapid possible unification of the economies and currencies of East and West Germany. This was said to be the topic of Kohl's tête-à-tête with Hans Modrow, who as President of East Germany will preside over that country's first free elections since the communist seizure of power in 1949. The rumors turned out to be true, and following Kohl's return, the Chancellor's plan was welcomed on Feb. 6 by Jacques Delors, president of the European Commission of the European Community. The plan was likewise hailed by the head of the Moscow Institute for World Economics, Professor Dashitshov, one of Soviet Foreign Minister Eduard Shevardnadze's top advisers, who said in a Feb. 8 interview that in the long term, the Soviet Union would likewise profit from the coming into being of an all-German economic union.

On that same day, it was announced in the West German capital, Bonn, that Kohl would be discussing the entire complex of questions with Soviet leader Mikhail Gorbachov on Feb. 10. From there, Kohl will go to France on Feb. 15 to consult with President François Mitterrand, and will then return to Bonn to discuss it again with Modrow. Kohl will go to the United States to present the plan to President Bush on Feb. 24.

Speed is of the essence

The reason why German economic unity must be achieved quickly, is grounded in the economic reality. Already last September—i.e., before the Berlin Wall came down on Nov. 9—Helga Zepp-LaRouche, leader of the Patriots for Germany party, had issued a call to international leaders, warning that unless measures were taken *during this winter,* the populations of Eastern Europe would face unbelievable suffering as a result of the collapse of the Soviet empire's economy. These economies urgently need infusions of capital to cover basic needs. For East Germany alone, West German Economics Minister Haussmann is talking about 500 billion deutschemarks (about $250 billion), which over the next 5-10 years must be applied for the construction of houses and factories, for skilled crafts, transportation projects, and the energy sector.

Capital requirements are at least that high for Poland, Hungary, and Czechoslovakia. Backed up by the appropriate political will of continental Europe's governments, led by West Germany, it should not be difficult for Western banks to make these huge sums available—especially since the opening of the intra-German border has already meant that about $24 billion has flowed out of the United States and into Europe in anticipation of these new markets. Considerable sums are also flowing from Japan into the West German financial markets.

Eastern Europe's productive potential

Amid all the turbulent public debates about Eastern Europe's economic situation, one thing must be kept firmly in mind: The greatest proportion of the capital for reconstruction will have to be created internally, after an admittedly difficult transitional phase. Certain immediate measures, such as lowering the punitive taxes against private firms enforced up to now by East Germany's socialist system, would already put considerable amounts of capital in circulation. An agreement to grant credit earmarked for physical production at low interest rates and long maturities of up to 20 years, with no payments due for the first five years, would certainly ease the burden for the private financial sector during the initial stressful reconstruction phase.

One fact of paramount importance about the Eastern European economies has remained unmentioned so far: In these economies, the proportion of productive workers, with respect to employees representing overhead costs, is significantly higher than in the post-industrial "service economies" of the West. The higher proportion of productive labor is, of course, a result of the lower average productivity of labor in the Eastern European captive nations; nevertheless, it now means, for example, that 47% of all employees in East Germany are trained and employed in some sort of productive labor—as opposed to about 40% in West Germany and much less in the United States. This translates into a greater potential for mobilizing the potential of industrially trained labor than in the West. If it is provided with modernized industry and high-technology machine shops and the like, Eastern Europe will therefore be able to provide an greater than average impulse for the future of industry throughout continental Europe. In other words: The key to the coming "European Economic Miracle" will lie to a great extent in its eastern half.

For Western Europe and the rest of the world economy, the revival of industry in Eastern Europe offers an opportunity to dump the malthusian, post-industrial insanity of the past two decades, and resume a course of productive economic policy which, as Lyndon LaRouche has emphasized in numerous books and articles, would resemble the industrial boom of the 19th century unleashed by the "American System" of economics pursued by such figures as Lafayette's protégé Friedrich List, whose German Customs Union and railroad-building projects transformed Germany into an industrial giant.

The strategic aspect

Kohl went to Moscow with the following proposal to Gorbachov: West Germany is willing to provide millions in immediate economic assistance (food, consumer goods, etc.) to the Soviet Union, in exchange for Moscow's agreement to German reunification. On the condition that the Soviet Red Army would forbear from all intervention into Eastern Europe and the German Democratic Republic, Kohl also assured Moscow that a unified Germany would serve the security interests of the Soviet Union, insofar as those interests were well-founded.

Such an offer would mean that Bonn would assure that no military troops under NATO command would be stationed in the former territory of East Germany, and that the territory protected by the Western Alliance would not be extended eastward. In return, the Soviet Union would withdraw its troops, or at least a large proportion of them, from the area between the Elbe and Oder rivers. Kohl will doubtless also stress that Moscow can probably count on being confronted with a demand from the new East German government to be elected on March 18, for withdrawal of the Red Army, as has already been demanded by Czechoslovakia, Hungary, and Poland. Whatever troops do remain on what is currently East German territory must, in the West Germans' view, be only lightly armed, and would have the status of a national border-guard.

This rather complex model not only has to be accepted by Moscow, but also must be guaranteed by the other three postwar powers—the United States, Great Britain, and France—with the support of the other Western allies and Eastern European neighbor states. It is also conceivable—though not desirable from the West Germans' view—that West Germany's status in NATO would be downgraded. But such a change would have nothing to do with the idea of a fully neutral—i.e., Soviet-dominated—Germany, as has been pushed by the West German Social Democrats and kindred circles. Rather, the idea would be to have Germany's armed forces resemble those of France, which is not a member of NATO but which remains a bastion of Western defense.

The crucial aspect of these diplomatic steps, however, remains the idea of "food for peace" which is embedded in Kohl's proposal. Under the condition that full economic and political sovereignty is guaranteed to a unified Germany, an expansion of economic cooperation between Bonn-Berlin and Moscow in the framework of "mutually just treaties" can be envisioned. For without the immense economic potential of a united German industrial nation of 75 million people, there can be no talk of any improvement either in Eastern Europe, East Germany, or in the Soviet Union.