

Report from Bonn by Rainer Apel

Old monetarists are no lesser evil

Smelling a crisis among the elites, former Chancellor Schmidt reenters the stage, but offers no solutions.

The German political class is deceiving itself and is not telling the people the truth. I don't just mean the government, but all the political parties. The quality of the politicians—not only in Germany, though—has declined significantly over the past decades. What is lacking are people that are used to handling great challenges.”

That harsh verdict came in an April 6, 1992 interview by former German Chancellor Helmut Schmidt, who particularly charged Chancellor Helmut Kohl with “holding onto an illusionary economic optimism.” In a series of recent public statements, Schmidt has revived that polemic, demanding of Kohl that he tell the nation about the “necessity” of austerity and sacrifice, of “blood, sweat, and tears.”

The economic crisis, plus endless scandals involving politicians from all parties, have created a situation grave enough to raise concern about the future of this state. Schmidt correctly identifies the elites' apparent inability to rise to the occasion, but he himself has nothing to offer in the way of a solution.

The economic policy of Chancellor Kohl is so bad, that it should be an easy job for Schmidt's opposition Social Democrats (SPD) to reap the fruits of the government's big loss of voter confidence, 15 months before the next scheduled national parliamentary elections.

What do the voters want? With no elections for the next 12 months, it is hard to say for sure. Yet the municipal elections in the state of Hesse on March 7, which might indicate the mood of German voters more generally, turned out to be a real disaster for

the Social Democrats. The SPD suffered losses of almost 10%, and 30% of the voters didn't even go to the polls—unprecedented in postwar Germany.

On a national scale, the results of the Hesse elections translate into a stalemate, with both government and opposition now rated at about 25-30% of the vote. This means that even if they joined for a “Grand Coalition” after the next elections, the two largest parties together probably wouldn't have a clear majority in the Parliament.

Many voters in Germany have little confidence in the ability and commitment of the established parties to deal with the economic depression, and see no real political alternative at this moment. Hence, more Germans will stay away from the polls in protest.

But among the elites, there are still illusions about the best way to deal with the crisis.

Schmidt, a Social Democrat now at odds with his own party, rightly observed in an interview with the daily *Bildzeitung* on April 5, 1993 that none of the current leaders of the SPD has any expertise in either economics or statecraft. Schmidt has made a comeback into the public debates on policies in Germany after an absence of nearly 10 years.

In media interviews, speeches, and at political gatherings that give him an occasion to address the present crisis, Schmidt is campaigning for a policy of “brutal but honest truth” on the economic situation, and for drastic austerity and monetary discipline. He

is ostensibly trying to define elements of a new SPD party platform, which, given Schmidt's widely accepted image as a “world economic expert,” would be binding on whoever is the SPD's candidate for the 1994 elections.

It must be said that Schmidt, while appearing to be an incisive and outspoken analyst of the crisis, has major flaws in his analysis, and is drawing the wrong conclusions. He always omits mention of the fact that his own SPD-led government imposed U.S. Federal Reserve Chairman Paul Volcker's policy of high interest rates in Germany in late 1979, which played an instrumental role in the accumulation of a staggering public debt now totalling 1.4 trillion deutschemarks—for which Schmidt unjustly blames the Kohl government.

Another legacy from Schmidt, is the Kohl government's strict refusal to talk about debt moratoria. When he was chancellor, Schmidt vehemently opposed any cancellation of the debt, whether at home or for the developing sector. Further, Kohl's emphasis on enforced fiscal and social austerity follows outlines largely worked out under Chancellor Schmidt before 1982.

As far as the Social Democrats' 1994 campaign platform is concerned, Schmidt recommends that it be co-authored by such SPD-connected monetarists as Karl Otto Poehl, the former chairman of the German central bank, who has always been a proponent of tight-money policies.

Running with a “Schmidt-style” platform against Kohl, would therefore be a political blunder by the SPD. But it is uncertain whether enough voters would buy that hoax, for the SPD to secure an election victory in 1994. It certainly can't work if Schmidt stays in the background and keeps pushing as candidates those young SPD leaders whose incompetence he himself has attacked.