

sidies; and special depreciation allowances. During the same period, in the new federal states, around DM 105 billion of public infrastructure investments were also made. Among these, DM 38 billion was put into transportation and DM 29 billion into telecommunications. So far, so good. Today, the telephones work better and there are also a couple of better roads. Yet, what is the situation with productive investments?

Investment in the services sector

Perhaps half of all investment in eastern Germany between 1991 and 1994 went into the services sector; in all, nearly DM 380 billion. Nearly 3.3 million people of the total of 6.3 million employed (excluding peddlers) on average in 1994, had jobs in the service sector—nearly 600,000 in the private sector and 900,000 in the public sector. In manufacturing industries, by comparison, investments were a much more modest DM 70 billion, at most DM 20 billion per year. Here, investment in the raw materials- and intermediate goods-industries are significantly dominant overall, absorbing nearly 50%. In the western part of Germany in 1994, by comparison, it was only 27%.

In the capital goods industry, it is exactly the inverse. While these make up half of all investments into manufactured goods in western Germany, in eastern Germany it is only one-quarter. In machine-building and in the electronics industry, in 1994, investments totaled DM 1 billion. Investments in automobile production, following the termination of individual larger projects, were again already strongly retrogressing, falling in 1994 to a total of DM 600 million. Overall, the eastern federal states' proportion of capital stock of the manufacturing industries in Germany is still retrogressing.

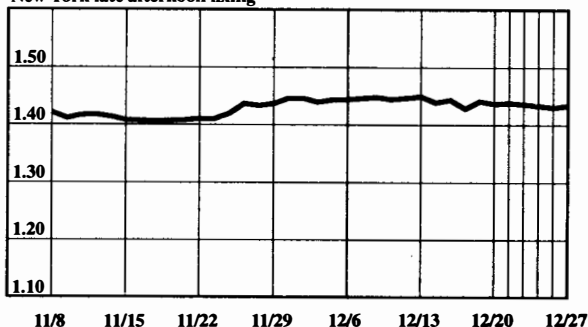
The destruction of industrial jobs, therefore, has still not reached an end. In particular, the number of jobs in steel and chemicals is continuing to decline, just as it is in the machine-tool industry. Despite the construction boom of the past years, and the corresponding demand for construction machinery, eastern Germany's establishment of its own independent production of construction machinery has not taken place. And this, even though the construction industry in the new states today has twice as much activity in total as that which had gone on in West Germany in the 1950s, during the high point of its construction boom. Altogether, in the eastern states, only 7% of employees work in industry, compared to 12% in the western states. While a good one-fifth of the German population is in the new states, this area has only 5% of total German industrial production. In electronics goods, it has less than 4%; in chemicals, 2%; and of the total German export trade, it has just 1.7% (see **Figure 4**).

No wonder that eastern tax revenue receipts per capita remain at a level several times lower than those of the western part of Germany (see **Figure 5**). This devastating industrial disintegration has to finally be brought to an end. Only if Germany rises to the historical challenge of the reconstruction of eastern Europe, can this be accomplished.

Currency Rates

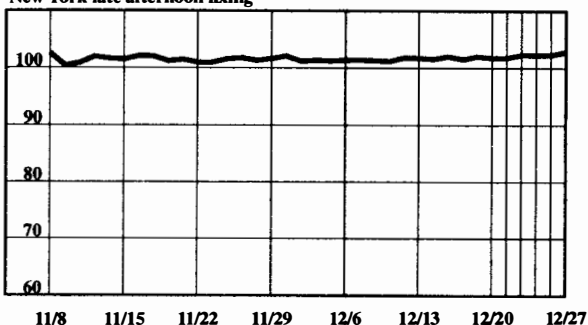
The dollar in deutschemarks

New York late afternoon fixing



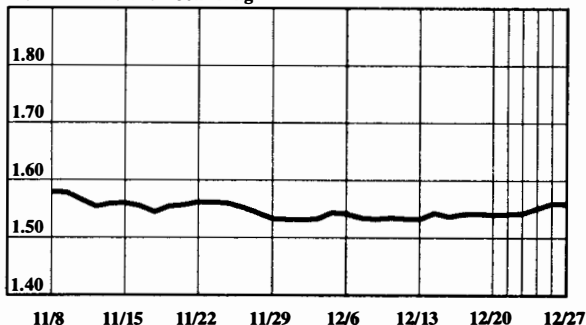
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

