

Report from Bonn by Rainer Apel

Where's the government?

The fiscal crisis and Maastricht have tied Chancellor Kohl's hands, leaving him no time to govern.

German Chancellor Helmut Kohl is well on his way to winning the world firefighting award, because that is what he is doing now—fighting one fire after the other that breaks out within his three-party Bonn coalition government, over the increasingly unmanageable fiscal problems.

Continued brawls among the three government parties—Christian Democratic Union (CDU), Christian Social Union (CSU), and Free Democratic Party (FDP)—broke out into the open at the end of October, while Kohl was on a one-week tour of Indonesia, Japan, and the Philippines. An irony of history had it, that the very point when the flames were roaring inside the Bonn coalition coincided with the 30th anniversary of the collapse of a previous Christian-Liberal government in Bonn, triggered by disagreement over a tax increase of 400 million deutsche-marks (\$250 million), during the depths of economic recession.

That “minor” incident, which toppled the government of CDU Chancellor Ludwig Erhardt, had major consequences for Germany: the formation on a national level of the first-ever Grand Coalition between Christian Democrats and Social Democrats, with a new CDU chancellor (Kurt Kiesinger), and the taking of a number of economic emergency measures to contain the recession and to reduce unemployment.

Today, many people in Germany are calling for an end to the Kohl era, and for another Grand Coalition.

To a certain extent, Kohl is in a precarious position similar to that of Erhard in late 1966, or, one might say,

to that of his two Social Democratic predecessors as chancellor, Willy Brandt and Helmut Schmidt, both of whom were thrown out of office before the end of their terms. Brandt was forced to resign over an espionage scandal (the Guillaume Affair) affecting his closest circle of advisers in the spring of 1974, which coincided with the high point of widespread labor protests and, especially, strikes of the two leading labor unions, the metal workers and the public sector workers, over wages and budget cuts in labor and social programs.

Concerning the intensity of labor protests, Kohl's situation couldn't be more like that confronting Brandt in 1974, because the entire labor movement is now up in arms over the new federal law dictating cuts of 20% in sick pay.

But, unlike the preceding chancellors, Kohl does not have any maneuvering room to respond to the economic, social, and fiscal challenges. Kohl has bound his hands by agreeing to the “Maastricht debt and budgeting criteria” (a European Union version of Newt Gingrich's “balanced budget” insanity, that is already tearing apart the United States). Maastricht dictates that each member government of the future European Monetary Union (planned for January 1999) must not exceed 3% of gross domestic product in new borrowings, and that the total (cumulative) state indebtedness must not exceed 60% of the gross domestic product. This leaves no funds for investment or public infrastructure projects, but imposes the requirement to cut even deeper into existing invest-

ment and labor-social budgets, because the general economic depression is constantly reducing the flow of tax revenues into the state's budget. The “discovery” that the official tax revenue estimate has to be corrected downward every few weeks, and that, in order to meet the insane Maastricht criteria, one has to impose one budget cut after the other, has generated most of the recent infighting inside the government coalition.

The fact that one cannot reduce taxes (the favorite battle cry of the neo-conservatives) at a time when the state requires even more tax revenue, to pay for unemployment benefits, public health care, welfare, and low-income housing, has been pointed out even by senior politicians of Chancellor Kohl's own CDU party, such as the mayor of Berlin, Eberhard Diepgen.

Numerous economists and analysts (besides *EIR*) have repeatedly warned Kohl that his pro-Maastricht policy would lead the nation straight into economic and social chaos, but the chancellor decided not to listen. In what appears to be a repeat of the union-bashing of former British Prime Minister Margaret Thatcher, Kohl broke off talks with the German labor unions in mid-March, and he has tried to govern the country with budget-cutting decrees in open disregard of labor's interests.

Now, in the middle of continued warning strikes by the labor movement, an enervated Kohl, in an attempt to restore discipline in a government that is drifting apart, is organizing one emergency crisis session after the other. In one such session in early November, he even threatened to resign, in order to coerce the coalition back to discipline. But, if such tricks succeed in keeping Kohl's coalition intact through the end of this year, it's longevity is more uncertain than ever before in his 14 years as chancellor.