Report from Bonn by Rainer Apel

State intervention for new jobs

The Social Democrats are proposing a program of state-guaranteed loans to create jobs.

The government of Chancellor Helmut Kohl has publicly capitulated before the economic depression. Kohl did so during the first days of the new year, when he finally admitted that he does not know how to create new jobs. He thereby made official what his Economics Minister, Günter Rexrodt, said in an unauthorized interview several weeks ago, when forecasting a record jobless rate of 5 million this winter. The figure, the highest since the Great Depression, will be reached in February.

About 60% of voters, who will go to the polls in September national elections, consider the present government to be running after events that are created by the "markets," by the powerful interests of cartels of financial speculators. It is likely, therefore, that a new government, led by the opposition Social Democrats (SPD), will come in after the elections—either in combination with the ecologist Green party, or in a Grand Coalition with the Christian Democrats (CDU), but without current CDU party chairman Kohl.

Can the SPD meet the expectations of the citizens who want investments and new jobs? Will it liberate itself from the cage of ecologist designs, and formulate strategies for the mass creation of industrial jobs? Will it drop the monetarist banking policies of the present government?

By far the best that the SPD has offered so far, is a resolution that was passed at a conference of the Bavarian state section of the party, in Irsee, on Jan. 12, which calls for the revitalization of the 1967 Law on Stability and Growth. The "stability law" was passed by the first Grand Coalition government, which replaced a discredited Christian-Liberal government at the end of 1966, at the depth of the first big postwar recession in Germany, which killed 400,000 jobs.

That law postulated a "quadrangle" of four economic priorities, which replaced the narrow, monetarist approach of the former government. The priorities were: a high level of employment; foreign economic and trade balance; appropriate economic growth; and price stability.

These are principles belonging to classical national-economic theory, but it was necessary to restate them, and most important, to reaffirm the sovereignty of the state, in the sphere of economics and credit-issuing policies, in the recession context of the mid-1960s. The law also authorized the government to borrow funds outside of the regular budget, for public infrastructure and other development projects. The emphasis was on real economic incentives, in order to revitalize employment. Temporary tax increases were authorized. The law furthermore authorized the government to decree that public sector loans should flow only into such real projects, with all other expenses ranking second. And, changes in the law on the role of the central bank were envisioned.

The stability law went into effect at that time, and it created jobs. But, when the economy came out of the recession, during 1970-72, the provisions of the law were rapidly forgotten, and from the time the oil price shock hit the economy beginning in late 1973, governments have run behind events, unable to increase jobs or secure constant flows of investment into industry or public infrastructure. From October 1982 on, when Kohl took power, the Christian-Liberal governments that have run Germany have preferred not to take notice of the stability law, which they defamed as "socialist."

Had Kohl made use of that law, he and the economy would not be in such deep trouble today. He would have been able to at least alleviate the effects of globalization and downsizing. Thus, the fact that the Social Democrats, who authored the 1967 law, have begun to work for its revitalization, is most welcome.

The Irsee resolution of the SPD, which has also received backing from the national party executive, is calling for 1) a national program for no-interest, or low-interest loans for projects of public infrastructure development (transport, municipal and other infrastructure), and 2) a European equivalent: a revitalization of the 1993 "Delors Plan."

As for the first, the program shall be in the range of DM 35 billion (about $20 billion) per year (1% of GDP) for at least two years, of special state-issued loans for such projects. The program would run through the Reconstruction Bank, and be refunded from tax flows from the projects, once they produce surpluses after a two-year grace period.

Because the jobless figure today is close to 5 million (more than ten times as high as in 1967), the stability law will have to be updated, to meet the requirements of 1998. Legislative initiatives are being prepared by the SPD.

As for the second, the SPD proposes that the European Investment Bank of the European Union, which is comparable to the Reconstruction Bank of Germany, issue loans at low or no interest, for similar, additional all-European infrastructure projects.