

## Report from Bonn by Rainer Apel

### How to be a 'social' monetarist

*Germany's new red-green government won't harm the speculators, but it will definitely milk the taxpayers.*

**T**he inaugural address of Chancellor Gerhard Schröder on Nov. 10 did not yield any surprises, but merely confirmed what a growing number of voters have begun to realize: that the new team in power, led by a Social Democrat, is not so social in practice, at all.

The new, nominally left-wing government respects the same taboos as the previous, nominally conservative government, which was voted out in the national elections on Sept. 27. The new government does not intend to pick a serious fight with the International Monetary Fund, private banks, or speculators and other financial market sharks; it does not want to start a serious debate about the injustice of the state's immense debt burden, which is soaking up 26% of the FY 1999 budget.

For example, the government is trying to present the 106 changes in the tax laws as "a big social shift in policy," compared to the neo-liberal policy of its predecessors. In fact, the changes envisage fewer new burdens for speculators than for nuclear power producers, who face new burdens, including cancellation of tax cuts.

And, the new ecology taxes will affect all consumers, eating up most of the promised "tax relief." Tax benefits to private home-builders will be reduced, and the ecology taxes will also affect many energy-intensive producers in industry and the crafts. Moreover, the planned new revenues from the ecology tax — 11 billion deutsche-marks — is not going to be spent on investments in the productive industrial sector; rather, the government plans to

use the money to compensate for cutting the contributions to public health and pension funds. And, the government will pay the banks DM 80 billion in FY 1999 for the state debt. It plans to reduce the debt burden, but through budget cuts, not moratoria or rescheduling. The dynamic built into the new government's policy, is the same as that which characterized the previous one.

For those who are not hypnotized by the TV, but listen carefully to what is being said by the politicians, Schröder's inaugural address was quite revealing. Right after mentioning "social justice," Schröder stated that "the inherited financial burden forces us to keep a decisive course of consolidation." This burden, which limits the ability to fund programs, he said, has to do with the "surprise budget hole" of an extra DM 20 billion, which he claimed the new government had just discovered. This was the first lie: The Social Democratic Party has known for a long time about that budget hole, but it is being "discovered" now, to motivate new budget cuts. Then, Schröder lied again, declaring that every budget line would be looked into, to see what is necessary and what not. Untrue: The SPD is not looking into debt service, the second-largest budget item.

Then, Schröder spoke of "tax relief" — most of which will only go into effect beginning in 2002, after this government's term has ended. In reality, over the four years between now and then, there will be extra tax burdens, including the spanking new ecology taxes, which go into effect in Janu-

ary. For the time being, the individual taxpayer is getting milked.

Moreover, the new government, as Schröder said in his address, is committed to getting out of nuclear power and embarking into solar and other "alternative" (i.e., outdated, inefficient) energy sources. This means the cost of energy will be much higher. Wise managers will think twice before investing in new production lines in ecology-taxed Germany, and will rather take their business overseas. This will affect tax revenues in two ways: A further decline in industrial output means less corporate tax revenues for the state, and fewer jobs means less revenue from individual income taxes.

At the same time, billions of deuteschemarks are going to be pumped into the "green" sector of the economy: into unproductive projects allegedly supposed to "conserve nature," into the development of solar cell and other ecology-linked technologies, into deurbanization programs that would "renaturalize" today's densely populated regions.

But the biggest, immediate attack on the average citizen, included in Schröder's inaugural address, came in the passage beginning with the phrase: "from the social welfare net to the trampoline." The phrase was coined by "Bobo" Hombach, who was Schröder's former campaign manager, a neo-liberal in Social Democratic disguise, who has been appointed head of the Chancellor's office. Schröder said that only those who "really need support" will receive welfare and unemployment payments. Many Germans will find themselves bounced off the "trampoline" into "welfare-to-work" programs, like the low-paying, non-union ones becoming infamous in the United States and Great Britain. Monetarism still runs Germany, but it now carries the misleading label "social."