

of exactly the capability to *mobilize the population*, which Russia now urgently requires.

At the same time, in interviews Gref shows himself well aware of the historically tested dirigistic methods, put forward in the Russian context by Glazyev and others, and emphasized also by LaRouche, for using the *productive credit generation* and directed investment by the state as the locomotive of economic recovery. Although Putin had asked him to take the standpoints of different economic schools into account, and to make a synthesis of the most positive ideas, Gref rejects dirigistic methods out of hand, on the grounds that they would require wide-reaching state intervention into the economy, which, he implicitly — but wrongly — insinuates, would mean a return to the Soviet “command system.” Gref states in his *Kommersant* interview:

“If you take the first administrative steps, starting with the emission of money [for productive credit generation], you will have to take the appropriate subsequent steps. This includes the fight against capital flight by absolutely similar methods. This provides for an obvious strengthening of the state’s positions in the private sector. . . . After that, investments in fixed assets are to begin, but they are not coming. Because you do not have a competitive environment, you do not have any incentives to start doing this. . . . After that you will have to protect your own market. You begin raising customs duties to somehow equalize the conditions of competition. In other words, a seemingly insignificant one step in this direction pulls with it a whole number of other measures which, in reality, lead you down a blind alley. And in reality everything does lead to this.

Q: Oof! And we began to fear that Putin’s economic program does not differ in any way from [Communist Party leader Gennadi] Zyuganov’s. So, that is a road down a blind alley. But where to and how must we go?

Gref: A second road is possible, that of a non-coercive stimulation of investments by creating a favorable climate and *eliminating the state’s excessive presence in the private sector.*”

Here Gref has simply avoided the question: What agency, if not the state, is to coordinate and finance the large-scale projects for modernization and development of infrastructure—including energy, transport, water, and communications, as well as education and health systems—which are crucial to the very survival of Russia in the coming period, not to speak of launching a serious economic revival? What right have Gref and others to reject the legitimate use of dirigistic, protectionist measures, of the sort the United States, Germany, France, Japan, and other industrial nations have employed at crucial junctures in their history, and without which Russia will soon cease to exist?

If Putin is serious about an economic mobilization to save Russia, which his own statements indicate he is, then he must soon realize, that the prescriptions of Russia’s newly recycled “liberal reformers” cannot possibly work. The sooner he does so, the better.

Mid-term turbulence shaking up Germany

by Rainer Apel

In a recent interview with the weekly magazine *Der Stern*, German Finance Minister Hans Eichel revealed that by October–November last year, the Social Democrat–Green coalition government of Chancellor Gerhard Schröder had “arrived at the very end.” Six major defeats for the Social Democrats (SPD) in regional elections during September and October were blamed on the devastating performance of the Schröder government. And, public unrest was rapidly broadening over the hostile takeover of Mannesmann by Britain’s Vodafone/Airtouch, as well as over the plan by the major banks, led by Deutsche Bank, to let Philipp Holzmann, the nation’s second-largest construction company, go bankrupt. In mid-November, Chancellor Schröder had to fly back from the international summit of government leaders in Florence, to intervene in the Holzmann crisis. There also were increasing frictions between the German and British governments over the usefulness of the free market, with the Germans showing opposition to British Prime Minister Tony Blair’s “Third Way” free-market model.

Even more important during those turbulent days was the fact that an alliance was building between the Social Democrats and the opposition Christian Democrats (CDU) against Anglo-American shareholder-value methods, in reaction to the rotten role the banks had played in the Holzmann bankruptcy. At that moment, there was a real perspective that Germany would be run by a Grand Coalition of the SPD and CDU.

But within the few weeks before Christmas, this alliance collapsed, because the Social Democratic leadership became obsessed with the idea that they could capitalize on the party-funding scandals striking the CDU, hoping that the Schröder government could make up for autumn’s drop in popularity. And, in the state elections in Schleswig-Holstein on Feb. 27, the SPD vote improved by more than 3%—which seemed to prove to Schröder’s entourage that its tactic of letting the CDU drown in a sea of scandals, was working.

CDU’s new leadership

CDU chairman Wolfgang Schäuble was forced to resign on Feb. 15, and this set off several weeks of fierce political infighting over his succession. But now, on the eve of the national CDU party convention in April, the nomination of the

new party chairman seems clear: Angela Merkel, the party's general manager, will be elected chairwoman of the Christian Democrats. Her CDU is, however, only one of two conservative parties in Germany: While the CDU exists in 15 of Germany's 16 states, Bavaria has been run since 1949 by the Christian Social Union (CSU), which commands about 10% of the total electorate with its traditional absolute majorities in elections. Bavaria is the second largest state of Germany, with 14 million citizens.

Now, more than ever, Bavaria and the CSU are the king-makers for the CDU succession. There is talk about a deal between Merkel and CSU chairman Edmund Stoiber, in which the Bavarians, who have no direct vote within the CDU, but do control certain conservative blocs, would help Merkel be elected as CDU chairwoman; in return, Merkel would help Stoiber, who is also Bavaria's governor, be nominated as the CDU/CSU chancellor candidate for the next national elections, some two years hence. Merkel and Stoiber jointly led an event in Munich, Bavaria on March 16, prompting the press to say that the deal was done.

There is strong resistance to Stoiber among liberal-minded CDU members—of whom there are many—since he is a traditional conservative and a Catholic, and his bid to become chancellor candidate will not go unchallenged.

But Stoiber has been able to address various constituencies, notably the “losers of globalization,” who are increasingly angry at Schröder and the SPD. The ecology tax, which the new government introduced last year, is felt heavily by Germans, who have to pay an additional 30 billion marks in taxes on energy, gasoline, etc. this year. The government is planning to exempt banks and insurance companies that want to sell their shares in industrial corporations from some taxes. This, and Berlin's failure to force the big banks to keep credit lines open for both the big investment funds, as well as for Germany's crucial small industrial firms and farmers, has exposed a weak flank that Stoiber has been able to exploit.

Defending the social-market model

At an internal session of the CSU ethics commission on March 18, Stoiber attacked the Schröder government for its closeness to the globalizers. He said that the Anglo-American shareholder culture that has begun penetrating Germany, is a threat to the German social-market economy model. That model must be defended, and if the present government cannot do that, it will have to be voted out, Stoiber insisted. The Schröder entourage promptly attacked Stoiber for being a “right-wing populist.” Well, there is a paradox here: Had any Social Democrat said what Stoiber did, he would be branded a “left-wing populist” by the same Schröder entourage.

And indeed, there are some Social Democrats who, after several months of being forced into the background, while political debate was absorbed by the CDU scandals, are re-

emerging. By coincidence, on March 17, the day before Stoiber spoke to the CSU party ethics commission, the Social Democrats' labor organization, Afa, held its national convention in Bielefeld. Longtime Afa Chairman Rudolf Dressler, a senior member of the Bundestag (parliament), who will soon leave to take up his new post as Ambassador to Israel, gave his farewell speech, and the new chairman, Ottmar Schreiner, was elected to replace him.

First of all, it is important that Dressler, an outspoken opponent of Blair's “Third Way,” was replaced by an equally outspoken critic, Schreiner. Moreover, Schreiner is a long-time close ally of Oskar Lafontaine, the former Finance Minister, who resigned a year ago, after he sharply dissented against Schröder's support for the NATO air war against Serbia, and was critical of Schröder's failure to endorse a joint initiative of the German and French finance ministers to reform the International Monetary Fund and the international financial institutions (IFIs). The reform was not even meant as real overhaul, but only proposed modest changes, to exert some kind of control over the highly speculative hedge fund and speculative capital flows in general. Nevertheless, between November 1998, when Lafontaine and French Finance Minister Dominique Strauss-Kahn first presented their idea, and March 1999, the hard-core monetarists on Wall Street and the City of London launched a war of nerves and black propaganda against the two, which Lafontaine lost. He pulled out of the Schröder government.

Dressler's speech not only called for efficient government action against shareholder interests, but he also attacked, in very harsh and—for the German style of politics—very unusual, aggressive terms, the “neo-liberal Nirvana” which the government and its spin doctors wanted to lead the Germans into: Not since Marx published *Capital* and *The Communist Manifesto* more than 150 years ago, he said, have “manifestos from the German left been issued in London,” as we saw when Schröder and Blair presented their “Third Way” memorandum at a press conference in London on June 8, 1999. Nineteen ninety-nine, the entire first year of the Schröder government, has been a “dark one for the German labor movement,” Dressler said, and he hopes that it will not happen again this year. The labor movement, and the specific role that the Afa has to play inside the SPD, to defend the German social-market model, cannot be underestimated, Dressler emphasized.

With the traditional labor wing of the Social Democrats, which controls about 40% of the party membership, speaking out again, and with the most recent attacks on the SPD from the CSU's Stoiber and his backers in the Christian Democracy, Schröder's government is sitting very uncomfortably at the moment, and very soon, it may find itself in the same kind of mess that brought it close to its end last autumn.

About mid-way through his first term, Chancellor Schröder is closer to early elections, two years ahead of schedule, than he may wish.