

# Bold Vision Needed for Europe's Reconstruction

by Rainer Apel

The August flood of the three rivers, Danube, Moldavia, and Elbe, which has hit southern and southeastern Germany, large parts of the Czech Republic, parts of Slovakia, large parts of Austria, and was on Aug. 20 beginning to reach Hungary and the other countries along the Danube in southeastern Europe, is the worst in at least 160 years, if not more. Some experts are even speaking of a "millennial flood."

Caused by continued heavy rainfall which poured down volumes of water usually registered in several weeks in a single day, the floods have wreaked havoc upon thousands of bridges for road and railway traffic, several tens of thousands of kilometers of highways and roads, innumerable private and public buildings, and urban infrastructure such as telecom cables, water pipes, and electricity cables in the cities and villages along the flooded rivers. Many of these will have to be rebuilt from scratch.

The city of Dresden, the capital of the eastern German state of Saxony, has seen the worst destruction since the devastating World War II Anglo-American air raids in February 1945.

In Germany alone, altogether 4.2 million citizens were affected during the first wave of flooding; more than 100,000

were evacuated from their homes; and 19,000 soldiers reinforced the 120,000 civilian volunteers who built emergency water dams. In the Czech Republic, 30% of the state territory was flooded, and 220,000 citizens evacuated. The flood damage will even increase, as regions further downriver, such as northern Germany and the Balkan states, will be hit by the waters now. The price tag will exceed \$20 billion, according to first, very preliminary, assessments by governments and insurance firms. For Germany alone, the chief economist of Allianz AG, Klaus Friedrich, presented a figure of \$10-15 billion, out of which only 10% would be covered by insurance policies.

Politicians in eastern Germany over the Aug. 16-18 weekend spoke of the need for "the biggest rebuilding project since World War II." Austrian Chancellor Wolfgang Schüssel stated, "We are going through the worst natural disaster of our generation." German Chancellor Gerhard Schröder, after an Aug. 16 tour of the flood emergency region in Saxony, spoke of a "national emergency," and convened an emergency summit of the government heads of Germany, Austria, Slovakia, and the Czech Republic in Berlin on Aug. 18, joined by European Union Commission (EU) President Romano Prodi.

The official outcome of the meeting was rather poor, however: The participants agreed to establish a European disaster relief fund next year, which in times of emergencies could provide up to \$500 million. The European Investment Bank (EIB) might grant special loans to farmers in the flood disaster areas. And the EU Commission wants to provide about 2 billion euros, taken from its structural reform funds, to the flooded regions, including to the non-EU members Slovakia and the Czech Republic. Commission President Prodi would have preferred not to give any money. But, already faced with the increasing spirit of revolt against the Maastricht Treaty spending limits in France and Italy, he decided rather to make



*Maastricht spending limits must be scrapped, after "100-year floods" of the Elbe, the Danube, and other rivers across Central Europe killed hundreds, and hit Germany alone with damages which will exceed 20 billion euros. Here, the main rail station in the center of Dresden is flooded out.*



*Floods of August 2002, which destroyed roads, bridges, and railways across Germany, added to the already severe transport deficit caused by a decade of austerity against planned investments. This stretch is between Dresden and Tharandt.*

some concessions to the Germans, than risk open conflict also with them.

### **Conflict with the European Commission**

Indeed, the conflict between Germany and the Brussels EU Commission came to a head, when Chancellor Schröder said at a press conference in Berlin, that questions about the compatibility of the envisioned flood relief programs with the budgeting criteria of the EU's Maastricht Treaty "do not interest me at all, let me tell you that right away." (The EU does not allow member countries to have a public deficit larger than 3% of GNP—a provision which strips national governments of the sovereignty to make decisions for the general welfare, in states of emergency such as the present one.) And German Economics Minister Werner Müller went

a step further, stating in interviews the same day, that he expects the EU Commission to decide on "generous" exemptions from the budgeting regime, to enable the governments of Germany and the other states affected by the flood catastrophe, to fund recovery programs.

Commission President Prodi, visibly agitated by these remarks, rushed to the media to declare that the Commission would offer some extra aid, but would insist, at the same time, that the "floods will not be taken as a pretext to circumvent the Stability Pact." The German Chancellor then had his office tell the media that the EU Commission had better show a serious commitment to fight the flood damage, or risk the total loss of confidence of the European populations in this grave crisis.

Chancellor Schröder said after the Berlin meeting, that

## **Germany: Invest 'Job Bonds' in Transport**

Creating employment by issuing "Job-Floater" bonds, the German government's new proposal as unemployment soared over 4 million, only works if the state invests in sensible projects. In Germany, there are innumerable such projects which have not been completed or have hardly even begun, on account of the fiscal and economic austerity policy of recent years.

In the final phase of the election campaign, the federal government suddenly is discovering that millions of new jobs can be created using unconventional financial methods. The starting point for this is above all the question, how will the requisite financial means for cranking up the economy be applied? For, given the extremely insecure world political situation and the extremely dim outlook for the world economy, hardly any entrepreneurs are prepared right now to engage new labor power, just because the government promises a one-time bonus should they do this.

A completely different situation would involve the German government's finally declaring it a priority for Germany to take up the decade-overdue reconstruction of Eastern and Southeastern Europe, through bilateral and international agreements. This would simultaneously fire the starter pistol for constructing the western sections of the four biggest projects of the Eurasian Land-Bridge. Under these conditions the same entrepreneurs would, in time, ascertain that they are in the middle of the greatest growth region of the world economy, and that much sooner secure the labor power still available today, rather than not be able to find it tomorrow.

### **650 Billion Euro Investment Needed**

Accordingly, the German federal government must lead the way by investing, in a big way, in renewing domestic infrastructure. In order to remedy the negligence of the past decades, an enormous catching up of the deficit in infrastructure investments of all kinds is needed.

With respect to the cities and municipalities of Germany alone, the cumulative shortfall of investment, according to the estimates of the German Institute for Urban Studies, amounts to approximately 650 billion euros. Even with regard to the eastern German municipalities, investments in infrastructure since 1992 have even been continuously declining. City street renovation has been eliminated, bridges are falling down in disrepair, hundreds of thousands of kilometers of sewer mains are in dilapidated condition and must urgently be replaced.

Add to this, the investment bottleneck in the federal transportation system. According to the federal transport grid plan from 1992, in all, investment in German inter-regional roadways, railways, and waterways between then and 2012, ought to have been 275 billion euros—more than 25 billion euros per year. However, as a consequence of the fiscal calamity of the states, these undertakings, decisively important for Germany's economic productivity, were abruptly termed "big castles in the sky" by the federal Minister of Transport, and eliminated altogether.

Not one of the 17 "German Unification Transport Projects" (VDE), with a total budget once seen as 29 billion euros, was spared the austerity axe in the 1990s. Essentially, the highways and rail projects for the main East-West artery alone, between Hanover and Berlin, were completed, and those very sparsely. The rest of the projects, even if they carry the "high-priority" label, have been shelved.

Now, they are suddenly urgent for employment needs, and as well as for the productivity of the whole economy.

—Lothar Komp

this has “not been the last word on this matter.” In full awareness of the fact that shifting funds inside the domestic German budget would violate the Maastricht budget-balancing guidelines, he decided on Aug. 19, to make 1.2 billion euros available for flood relief from the budget of the Transport Ministry; to spend another 500 million euros from other budgets; and to scrap the “free trade” project of a tax cut for FY 2003 in the range of 7 billion euros. Finally, the EU Commission, under the increasing public pressure, had to concede that post-flood funds for the reconstruction of industrial capacities would be exempted from the general EU budgeting criteria. This divergence from the strict criteria gives the German government extra maneuvering room for a couple of billion euros.

The next, bigger, challenge is to define the projects of reconstruction, which must be done in cooperation with the people who live and work in the flood disaster regions—which just happen also to be the regions with disproportion-

ately high jobless rates. Here one needs a vision for longer-term development, naturally. For example, if infrastructure has to be rebuilt from scratch, it would make more sense to build the most modern magnetic levitation (mag-lev) train routes in Saxony, than to restore the old railway systems. These would be mag-lev routes from the state capital in Dresden to the Czech capital in Prague, or to the Polish-Silesian cities Wroclaw and Katowice.

Most of the reconstruction program already exists: It is in the election campaign program of Helga Zepp-LaRouche’s BüSo party, the Civil Rights Movement Solidarity, which calls for infrastructure and industrial development along the concept of the Eurasian Land-Bridge. BüSo chairwoman and Chancellor candidate Zepp-LaRouche issued a statement on Aug. 16, calling the creation of state credit for such an in-depth reconstruction and development project (see box).

## Zepp-LaRouche: How To Repair the Flood Damage

*German Chancellor candidate Helga Zepp-LaRouche spoke out on the flood damage ravaging Europe, with an Aug. 15 statement issued from Berlin, entitled “Fight the Flood Catastrophe with the Lautenbach Plan; Put the Maastricht Treaty Out of Commission, Immediately.” She is the chairwoman of the Civil Rights Movement Solidarity party (Bürgerrechtsbewegung Solidarität, or BüSo), and its lead candidate for the Bundestag elections in Germany.*

To repair the damages, worth billions of euros, caused by the flood of the century—especially in Bavaria and Saxony—as quickly as possible, and to help the affected families in rebuilding their homes, we must immediately launch the measure proposed by German economist Dr. Wilhelm Lautenbach in the early 1930s. This was for grave emergency situations, such as a depression, the period immediately following a war, and the most severe natural catastrophes. The 400 million euros in aid promised so far, are at best, “peanuts,” and will simply amplify the fears of the victims that, like persons affected in earlier floods, they will be left alone in their misery.

In such a catastrophe, the necessary reconstruction can only be initiated with a policy of *productive credit generation*, as Lautenbach proposed it in the Fall of 1931, to actively fight the world depression—a policy later successfully implemented by President Franklin Delano Roosevelt in the U.S.A. Even current Chancellor Schröder had

to concede, during his visit to the [flood] region, that the financial aid offered so far will be insufficient. His remarks, that the necessary means cannot be mobilized in the framework of the “Maastricht criteria,” have my full support. But I call on him, urgently, to draw the correct conclusions from this recognition, and initiate, together with European partner countries, such as Italy or France, the immediate repeal of the Maastricht “Stability Pact.”

I rejected the Stability Pact from its very inception, and have actively fought it ever since.

In the European capitals—Berlin included—people have been thinking about how to bypass the “Maastricht criteria” for quite some time. The Italian government just decided to officially put up for discussion, the guidelines of the “Stability Pact”; Italy’s Minister for Finances and Economics Giulio Tremonti and some of his colleagues in the Cabinet have been demanding, in recent days, to change the “direction” of this pact, and, above all, to take the urgently required *infrastructure investments* out of this straitjacket for Europe’s economy—and its citizens.

Of course, the suspension of the Maastricht Treaty, as well as the possible mobilization of the Frankfurt Kreditanstalt für Wiederaufbau [Reconstruction Financing Agency] in issuing *project-related credits* for the creation of productive jobs, can only be a first step. After all, the entire world economy is in the end-phase of a *systemic crisis*, which can only be overcome, if the hopelessly bankrupt financial system—including the Maastricht “Stability Pact”—is thoroughly reformed and replaced by a *New Bretton Woods*.

The small-minded approach for overcoming the flood catastrophe shows again, that *bold* new ideas are needed in German politics. I know what has to be done!