

Report From Germany by Rainer Apel

Monetarists Demand Even Deeper Cuts

The Berlin government is being pressured by financiers to move past Hartz IV to a still more brutal Hartz V.

It would have been more than appropriate, if Chancellor Gerhard Schröder, who called for changes in the handling of developing nations' foreign debt after the Dec. 26 tsunami catastrophe, had also backed changes in domestic economic and social policies. After all, the present rigid budget-cutting at home is the equivalent of International Monetary Fund conditionalities for the Third World.

But Schröder has avowed loyalty to the large cuts planned for labor, welfare, and health, in the "Hartz IV" policy that went into effect on Jan. 1, which will institute drastic income cuts for more than 4 million Germans who live on unemployment support or welfare.

Aware of the fact that their Hartz IV package led to huge protests in the Summer of 2004, Schröder's governing Social Democrats have solemnly declared that no further budget-cutting would be put on the table between now and the next scheduled national elections in the Autumn of 2006. But most experts are convinced that the budgetary crisis will drive the government into new austerity. Tax revenues are declining, because of the continued shrinking of production and employment, while ever-rising unemployment keeps burdening the state budgets.

At the end of January, Germany reached an official unemployment figure of more than 5 million—the worst figures since May 1933, the peak of the Great Depression. But even this figure is an underestimate, however, because it does not count numerous categories of job-seeking, welfare-re-

ceiving citizens, including citizens above age 58. Real unemployment is closer to 8-9 million. And, Hartz IV has not created a single real job, only a few jobs in administrative functions that have to do with the management of the program itself.

Not least because of sabotage by the labor union bureaucracy, the protests against Hartz IV almost died down in October 2004, and have not resumed their strength of last Summer. But rage at the budget cuts and unrest about the increasing and record levels of mass unemployment may, all of a sudden, lead to a new explosion of social protests in the Spring.

The financial oligarchy moved quickly last Summer, to make sure that Schröder would not give in to the protests. On Aug. 2, 2004, when the government was giving vague indications that it would be willing to "rethink" the Hartz IV package, a bond-trading cartel led by Citigroup, in a well-prepared conspiratorial move, dumped German government bonds worth several billion euros, within two minutes after the opening of the trading day. The next day, Aug. 3, the German government had apparently been called back to "monetarist reason," offering no more than a few minuscule concessions on Hartz IV. The bond-trading affair is now the subject of an official investigation by oversight boards in London and Frankfurt.

Without that trick to fall back on this time, hardline monetarists have begun a propaganda campaign in favor of "Hartz V"—the allegedly "inevitable next phase of the reforms." A revival of Nazi finance czar Hjalmar

Schacht's post-1933 austerity policy is becoming all too visible in this propaganda drive.

Typical is what the Munich-based monetarist Hans-Werner Sinn said in an exclusive interview published Feb. 2, in the economics section of the *Frankfurter Allgemeine* daily. There, he tried to lure readers into a discussion of the "hard reality," by addressing the fact that the government's unemployment data are manipulated, that there is an actual lack of jobs in the German economy, that Hartz IV will not help to reduce unemployment. But this was only the prelude for Sinn to proceed blatantly with his real agenda, that of Schacht: "We must consequently expand the low-income sector."

Sinn advocated the creation of a partially state-funded low-income sector, as a catalyst to "adjust" incomes generally, "including the medium income levels," to the alleged "realities" of the free market.

Promoted under the brutish slogan "money for cooperation, less money for inaction," Sinn proposed the transformation of the entire public service sector on the municipal level, where the infamous "1-euro jobs" of the Hartz IV unemployment agencies are currently being created. This means that the Hartz IV income of 345 euros monthly, is available only for those who agree to work on such jobs for 1 euro per hour.

So far, some 50,000 such jobs have been created, and Sinn called for all municipal jobs to be transformed into 1-euro jobs, in order to create 2 million jobs in this category. The municipalities should, however, not employ these 2 million citizens themselves, but should auction them off to the private sector industry, on a leasing basis. This would lower the average low-income level by one third, Sinn happily concluded.