

Labor protest wave building in Germany

by Rainer Apel

German Chancellor Gerhard Schröder resembles the notorious captain of the *Titanic*: He wants to stay the course, at full speed, no matter what obstacles may lie ahead. This is the impression that Schröder created upon his return from summer vacation in Italy on Aug. 21, when he told the nation that the government is firmly committed to its budget-balancing project, irrespective of mounting criticism.

The plan involves budget cuts in the range of 161 billion deutschemarks (roughly \$100 billion) over the next four years, beginning with cuts in the range of DM 30 billion in fiscal year 2000. The cuts are predominantly envisaged for the welfare, public health, labor market, and pension items in the budget, and protest ferment against the proposed cuts has been building among labor unions, welfare organizations, and hospital personnel, as well as among retired citizens.

SPD has lost 8 million votes

In the June 13 elections for European Parliament, before the summer break, Chancellor Schröder's governing Social Democrats (SPD) reported a net loss of 8 million votes, since the national elections of September 1998. Large numbers of retired citizens, in particular, alarmed at the government's pension plans, deserted the Social Democrats, and either boycotted the election or voted for the opposition Christian Democrats (CDU).

The Social Democrats and their increasingly unpopular Chancellor might have been expected to listen more to the citizens' views. Instead, Schröder has exhibited a very special arrogance in dealing with the problem, declaring in interviews that, while the government's popularity is rapidly decreasing, "at least the policy is backed by the population." This is probably what his advisers and public relations experts told him, and maybe even many Social Democrats believe that, too. But, the population does not support the policy at all. The population, after all, is organized in institutions, including labor unions and various welfare and other social organizations, and given that nearly 50% of the working population are card-carrying members of some labor union, the fact that the labor movement is attacking the government's policy ought to get the government's attention.

The government, however, has decided not to pay attention, or at least is pretending to not pay attention, to what is going on in the labor movement. The pension issue has become the first focus of labor's opposition, not least because of leaks that the Finance Ministry's plans to index pension increases to the average rate of inflation (a bit less than the official 1%), will also be applied to the incomes of civil servants and public-sector workers. As the average German needs an annual growth in income of 4% to cover all the additional household expenses because of the ecology taxes, price increases for consumer goods, and higher health care costs resulting from cuts in state support, an indexation to the inflation rate means a net decrease in income.

Opposition among state governments

The labor unions, organized in the German Labor Federation (DGB), have decided to launch a campaign exposing, on the one hand, the government's "anti-social" policy, and, on the other hand, mobilizing the 16 German state governments against the federal plan to introduce a property tax. Such a tax of 1% on registered private property—corporate property would be exempted—would yield up to DM 40 billion in additional tax revenue, and the DGB is proposing that it be used for public-sector investments, infrastructure projects, and labor market incentives. The tax revenue would, however, not flow into the federal budget, but, under German law, would flow into the budgets of the state governments. If the additional tax revenue were invested to create new jobs, that would decrease the need for jobless support payments, relieving the pressure on the federal government to come up with—allegedly necessary—make-or-break strategies to balance the budget.

The DGB, it must be said, does not oppose budget balancing as such, but does think that, at a time of economic depression, balancing the budget should be a long-term project. Now, some sections of the DGB want to go even further, and are calling for the public sector's debt service to the private banks to be lowered, to take additional pressure away from the budget balancers in the federal government.

The federal government is rejecting such proposals, because it subscribes to monetarism, and does not want to get into a donnybrook with the banks. But, the states, at least some of them, may be open to the DGB proposals: for example, the SPD-led governments in Saarland and Brandenburg. Both will hold elections for state Parliament on Sept. 5, and the SPD is expected to suffer losses. Saarland Gov. Reinhard Klimmt has so far been the most outspoken critic of the Schröder government's pension plans, and he has already threatened to vote against the plans, should the government present them, as it is obligated by law, in the Bundesrat, the upper house of Parliament representing the states. A Saarland "no" would block the required majority of 35 votes in the Bundesrat, so that, even if all the other

SPD-led governments should vote for the federal policy, it could not be made law, but would have to go into a time-consuming procedure in the review commission.

Brandenburg Gov. Manfred Stolpe has also signalled that his government might join a Saarland veto. Now, should both states fall to the opposition Christian Democrats on Sept. 5, they would vote against the federal government in any case, and if these states were run by a Grand Coalition of Social Democrats and the Christian Democratic Union, the situation would be almost the same, because the SPD in such a coalition would not be able to vote for the federal policy if the CDU objected. The two existing Grand Coalitions, in the city-states of Bremen and Berlin, are illustrations of that, in their relations with the federal government.

SPD offers harsher austerity

Moreover, Berlin's city-state Parliament is up for election on Oct. 10, and the SPD has been losing popular support massively in recent weeks. According to the latest opinion polls, only 21% of Berlin voters would pull the lever for the SPD, and Walter Momper, a former Mayor of Berlin who now heads the SPD slate for the Oct. 10 election, will receive no more than 25% of the vote from among the Social Democratic constituency. Some 38% of the SPD constituency prefers that incumbent Mayor Eberhard Diepgen, a Christian Democrat, remain in office.

This trend is no mystery, if one takes into account that the SPD Finance Minister in Berlin, Annette Fugmann-Heesing, is committed to even harsher austerity than her federal cabinet colleague, Finance Minister Hans Eichel. For example, she has pushed budget-balancing targets that indicate there are plans to privatize, among other entities, the public sector-owned Berlin Transportation Authority (BVG). The privatization experts propose to reduce the BVG workforce by 50%, and chop the incomes of the remaining 50% of the workforce, by 30%. There is no way that the labor unions could accept such an assault on workers' incomes; there is no precedent for that in recent German history—not since the Great Depression years of the 1930s.

A Berlin DGB official told this author that against the background of local controversies between labor and the city-state government, a much bigger conflict looms between labor and the federal government: "Labor voted for this government last year, and if the government keeps this policy, it will lose the support of labor. . . . This will proceed in a way similar to what happened to the last government," he said, referring to the strikes and protests which characterized the last two years of the Christian Democratic Union-led government of Chancellor Helmut Kohl that contributed to his downfall in the national elections of September 1998. The captain may not have noticed it, but the iceberg into which the vessel will crash, is already visible over the horizon.

Moving 25 million tons of food to Africa

by Col. Molloy Vaughn (ret.)

On Jan. 14, 1985, Molloy Vaughn, a logistics expert, delivered the following policy paper to the Fourth International Schiller Institute conference in Richmond, Virginia. Colonel Vaughn, a devoted friend of the LaRouche movement and a great-hearted man, passed away on Aug. 17, 1999. This paper is a fitting memorial to this beautiful soul. It is also a most timely contribution to the present-day political and economic situation, since it addresses the question of how to effectively carry out an enormous international relief effort for nations devastated by war, hunger, or natural catastrophe. With the current requirements for reconstruction of the Balkans and Turkey, as well as the war-ravaged nations of Africa, the nonsense approach taken by Colonel Vaughn is highly interesting.

You should know why I am standing here today and why this task was given to me. An individual from the Schiller Institute flew out to California, and, on his busy schedule on the evening of New Year's Day, we had to take time to eat, so we had a working conference at dinner. Just before the main course was served, he gave me a figure: "How would you face the problem of 25 million tons of relief going into Africa? How would it be arranged for, and the planning get it there?"

When he said that, I lost my appetite for the meal. I am not a negative person, but everything that flashed through my mind in one minute's time were disaster scenes I'd seen from Indochina in 1953-54, when I was one of the Americans selected to go to Dien Bien Phu to assist the French there. I saw the waste that happened there during the rainy season, when we had literally tens of thousands of tons being unloaded every day, and the parachutes rotted and the food was wasted and the blood plasma never got to Dien Bien Phu.

Then I thought about conditions that I have witnessed in the last 30 years: flood relief, when I helped collect things as a Boy Scout in Delaware to send to Pennsylvania because of the floods there, the famous ones in the 1930s.

These same problems continued wherever I went, as I got into the Middle East, and saw relief going into certain areas. We are a great nation for shipping vast quantities of relief, but when it gets there, we absolutely stagger the people. They cannot handle it, they are not organized to do so, and we feel that we have done our job, and we walk away.