LaRouche and Hard Realities Drive Germany Closer to Reason

by Rainer Apel

With a burst in early August, reaction to the global economic-strategic crisis forecast by Lyndon LaRouche surfaced in Germany's federal elections. With unemployment soaring above 4 million (10%), "Franklin Roosevelt-style" depression-recovery measures and a break with the United States' projected war on Iraq—both policies fought for over several months by Helga Zepp-LaRouche's campaign for federal parliament—have become the leading national issues.

At a joint press conference in Berlin on July 29 with LaRouche Democrat and U.S. Senate candidate from Virginia Nancy Spannaus, Helga Zepp-LaRouche, national chairwoman of the BüSo party and candidate for Bundestag from Berlin-Mitte in the Sept. 22 national elections, put forward what, so far, no other political party in Germany has. She demanded action against the "financial crash and threat of war." This is the slogan on the BüSo's main election campaign poster, and the development of the political debate during the first few days of August has proven how much the LaRouche movement is on the mark with that slogan.

Amid increasing media reports and leaks about preparations and planning sessions at the Pentagon for a war against Iraq, and amid daily collapses of the financial markets worldwide, numerous politicians have begun to warn against the close tie between military adventures and a deepening of the global economic depression. A high point, so far, of this panicked debate occurred on Aug. 7, when German Chancellor Gerhard Schröder—who had so far mostly spoken of an alleged "upswing, the effects of which will only arrive later, unfortunately"—in an interview with the tabloid *Bildzeitung,* warned that a new Iraq war would lead to a "world economic crisis."

Create Jobs, Says Commission

Similarly, on Aug. 5, one of Germany's leading news weeklies, *Der Spiegel,* leaked the story that the government's Hartz Commission, named after its chairman Peter Hartz, had changed view on the issue of economic and labor market incentives, and is now considering a three-year crash program for the creation of 1 million new jobs. The jobs would be created through a special new fund in the range of 150 billion euros (about the same amount in dollars). The jobs are to be created mostly in Mittelstand—small to medium-size—firms, mostly in infrastructure development projects in the depression-hit eastern Germany.

This change of view comes as even more of a surprise because the Hartz Commission was originally installed by Chancellor Schröder in March with a different mandate. It was come up with something which would make people forget what he had said four years ago—that he would not deserve re-election if unemployment were not reduced below 3.5 million. Currently, official unemployment is well above 4 million. So far, the Hartz Commission's proposals on "reforming the labor markets" have centered on putting the squeeze on the unemployed by cutting unemployment benefits and tightening administrative procedures. This had been presented as an incentive for the unemployed, to force them to take the 1.5 million private sector jobs that are supposedly vacant.

As the economy is rapidly going down (and with it, as also shown by the latest opinion polls, Schröder's re-election chances), Hartz and other commission members apparently concluded that something else had to be done. So, concepts were taken up that had previously been developed only by Zepp-LaRouche. In several campaign statements, she had demanded that an economic policy approach be adopted along the lines of that presented in September 1931, at the peak of the Great Depression, by economist Wilhelm Lautenbach. In today's circumstances, that means using the Kreditanstalt für Wiederaufbau (KfW, Reconstruction Bank) for infrastructure and employment programs.

Amid the unemployment crisis, the German national election debate is suddenly echoing strategic and economic policies of Lyndon LaRouche—and of Helga Zepp-LaRouche, here campaigning at the head of the Civil Rights Movement Solidarity ticket for the Sept. 22 Federal parliament election.

A New Financing Mechanism

Now, Hartz is proposing that 150 billion euros for financing infrastructure, for the creation of new Mittelstand firms, and for the expansion of existing capacities at others, be raised by issuing special bonds, which he labels "job floaters." Hartz recommends that the program not be financed through normal state bonds, because they would increase public debt, and would thus violate the notorious "Maastricht criteria" (constraints on the size of budget deficits and government indebtedness, and therefore a factor which greatly hampers a government's ability to take measures to overcome an economic depression). Instead, Hartz says, the KfW should issue job-floater bonds. Raising that money would be off-budget, yet at the same time the KfW bonds would be state-guaranteed. In addition, there should be special tax incentives, which would make the purchase attractive for small investors—some sort of state-subsidized "workers' savings."

Hartz is also suggesting an amnesty for tax evaders who transferred capital abroad illegally, if they invest their returned flight capital in these KfW bonds. This way, a large part of the envisioned 150 billion euros for the Hartz plan would be generated, even by the return of only a minor share of the suspected 300-400 billion euros of German flight capital abroad.

The idea of turning flight capital into "infrastructure bonds," was developed by American 2004 Presidential pre-candidate Lyndon LaRouche in July, and published in the weekly *Neue Solidarität.* In parallel, Zepp-LaRouche called for "building a network of Transrapid lines" comparable to Germany's present rail network of some 12,000 kilometers. This "would create millions of jobs" in the construction and high-tech sectors, and "would cause a large jump in productive potential of the economy as a whole."

Investors who are fleeing out of the dollar or the stock markets, said Zepp-LaRouche, know that "in times of crises, ultimately, only state bonds are 'safe'—provided they are used for real investments in the real economy. Therefore, one way to finance a Transrapid net for Germany, or other infrastructure projects, would be to issue bonds for this purpose, in the amount of several hundred billions of euros through the KfW. Under present conditions, infrastructure bonds—state bonds limited to great infrastructure projects—are a possibility, to bring many billions of euros back into the real economy, thus saving them from being wiped out by the on-going financial crash."

Although the Hartz Commission is vague on the types of projects it is proposing, its surprising initiative is a step in the right direction. Such moves can only be encouraged, because they are urgently needed.

Italy for Project Bonds On German Model Also

by Claudio Celani

The Italian government has decided to bypass the budget constraints of the European Stability Pact (which has so far prevented major infrastructural investment), by creating an agency outside the government budget to sell state-guaranteed bonds, on the model of the German Kreditanstalt für Wiederaufbau (KfW). The new agency, called Infrastrutture SpA (Ispa), will be operational in September, said Economy minister Giulio Tremonti on Aug. 1.

The KfW had been pointed to by Lyndon LaRouche and his movement in Italy as a successful model to be imitated, based on its record in managing the Marshall Plan funds for the industrial reconstruction of Germany after World War II. Italy's reconstruction was also successful, but it was run through institutions belonging directly to the Public Administration, thus creating public debt. Such institutions, like the Cassa per il Mezzogiorno, have now been shut down as a result of a fanatic free-market ideology; the current government, although not challenging that mentality directly, has shown intentions to find the financial solution to the absolute urgency of modernizing Italy's transport, energy, and water infrastructure, which are near to collapse.

Ispa will contribute 50% of the total capital required for investments listed in a strategic plan guided by the government, and updated every year. This capital will be financed through medium- to long-term bonds, while private investors will provide the rest. For those projects where European Union funds are available, Ispa will provide one third, with the EU and private investors providing the remaining two thirds. Tremonti emphasized that the new agency is not part of the public administration, and its statute was drafted after the model of the German KfW.

'HQ Could Almost Be in Frankfurt'

In stressing similarities between the two agencies, Tremonti said: "If you allow me a joke, we could have almost placed its seat in Frankfurt." The infrastructure statute was developed in collaboration with the Bank of Italy, which will supervise the new agency. The leader of the LaRouche movement in Italy, Paolo Raimondi, said he is satisfied with the new development: "We have campaigned exactly for a kind of instrument like the German KfW," Raimondi said, "and we are happy to see that the Italian government has picked up our proposals."

An *EIR* special report distributed in Italy since 1998 by the LaRouche movement, entitled "For a New Bretton Woods," has pointed to the KfW as a model to be taken and expanded to finance modernization of European infrastructure, and to build the "Eurasian Land-Bridge" of transport and development corridors. This campaign has led, among others, to several Parliamentary initiatives in favor of a New Bretton Woods policy. Currently there is a motion, signed by 100 members of the Senate and Lower House, calling on the government to promote a new international Bretton Woods conference, in order to establish new financial institutions able to finance large infrastructural projects.

The Italian government is under tremendous pressure to start investments to overcome bottlenecks which are slowly paralyzing the Italian transport system. Most urgent are highways, since most of Italy's commercial traffic moves on wheels. Of urgent priority are the East-West highway connections between the highly industrialized Northern Italian regions, and neighboring Slovenia, the door to Eastern Europe and the Balkans. This route has a bottleneck around Venice, where the traffic comes daily to a complete standstill. Also urgent for improvement are: the North-South bottleneck on the mountain highway between Bologna and Florence, unchanged since the 1960s; the highway south of Naples, from Salerno to Reggio Calabria; and the trans-Alpine passes to West and Central Europe (France, Switzerland, and Austria), which must double both their highway and rail lines. An accident on the Messina-Palermo railway on July 20, in which a train derailed and several people died on the century-old, unrenovated railway system of Sicily, has added a new priority.

Still number one on the list is the bridge on the Strait of Messina connecting Sicily to the mainland. Also of dramatic urgency is the water system in the southern Mezzogiorno. In July, the government had to compensate Mezzogiorno farmers whose cattle have been decimated by a drought. Droughts in southern Italy are not exceptional, but water is not scarce: A citizen of Palermo has more water availability than one from Turin in the North. But the aqueduct system is obsolete, and there is a loss of up to 80% of water in the pipelines.

Energy Emergency

The third emergency is energy: Italy's energy production barely covers current consumption. The government has now had Parliament pass a bill for the immediate construction of new electric power stations, which it will take some years to build. Italy is paying the bill of the suicidal decision to abandon nuclear energy in 1986, thus becoming totally dependent on oil and gas imports. Since electricity production is insufficient, Italy imports nuclear-produced electricity from France! The current government is potentially oriented to review the antinuclear decisions, but is waiting for "public opinion" to shift.

All these urgencies are addressed by the government infrastructure plan, which now, after a bill issued Aug. 3, has reached the operational phase. So far, the limited financial resources allowed by the European Stability Pact have conditioned an extremely slow timetable. The new Ispa initiative—state-guaranteed infrastructure bonds—could turn the situation around by providing an adequate flow of capital to finance all urgent projects at once.