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After the Take-off

The change of government in the Federal Republic of Germany, often and somewhat misleadingly referred to as a change of power, took place about 100 days ago. What were the reasons for the remarkable reaction at home and abroad to this event, for the perplexity, the hopes as well as the consternation? It is early days yet to come to a final verdict. But what about the frequently cited "signals" the Government had intended to set?

Smaller by four members, the Cabinet stood in the record time of hardly one month. The drastic measures expected on the domestic front within the initial months, however, were delayed for several reasons, partly because of the economic situation. They were to apply to e.g. the Law on the Constitution of Enterprises, essential parts of a Tax Reform, business cycle policy, judicial reforms, higher education legislation, etc. Financial constraints set a slower pace to the well-meant zeal for reforms right from the take-off. Wise as the agreement between Government and opposition might have been to refrain, by and large, from introducing expenditure-intensive legislation in Parliament prior to the new budget for 1970 being brought before the Bundestag, it was, on the other hand, bound to disillusion many who had been hopeful. In addition there were the promises given somewhat precipitately concerning for instance the doubling of free allowances, a Christmas bonus for pensioners, etc., that could not yet be kept due to the overheated boom.

Regarding the growing alienation of young people, and particularly students, from the State, the question arises, whether an amnesty proclaimed earlier, even in spite of legal problems involved, would not have better come up to hopes placed by wide quarters on this Government.

There are difficulties for the new coalition between the Social Democrats (SPD) and the Free Democrats (FDP) also in the field of business cycle policy. The revaluation of the Deutschmark has so far failed to cool down the over-heated trend of the economy. As a result of revaluation having come with too long a delay, Schiller finds it difficult to get rid of the „spirits of growth“ he had previously done so much to encourage. Regardless of the German reserves having decreased from temporarily ca DM 45 bn to ca DM 25 bn following the revaluation, the German economy still offers a picture of excessive boom. Tendencies for price increases, particularly at the stage of industrial production which will soon be felt even more by the consumer, cannot be ignored anymore. The Federal Bank has already applied the brakes. Temporarily it had even feared to be left without active support by the new Government as the coming budget steers onto an economically neutral course rather than sets an anticyclical pattern. But as all things take their time, it is to be expected that the picture will appear considerably brighter a few months ahead.

Much has been set in motion in the sphere of foreign politics. The summit conference at The Hague stimulated the EEC, previously deemed nearly dead, and France's willingness to enter into preparatory negotiations about Britain's entry was in the eyes of the world credited chiefly to Chancellor Brandt's tactical skill. The Federal Government also succeeded in the taking up again of the dialogue with East-bloc states, such as the USSR, Poland, Hungary, Czecho-

slovakia and the German Democratic Republic (GDR). The flexible attitude of the Government's Statement and the signing of the Treaty of non-Proliferation of Nuclear Weapons have brought first successes. As emphasised also in the Report on the State of the Nation of January 14th, 1970, there can be no doubt about Brandt attaching great value to the priority of the Western policy and the close ties of the Western alliance. There will be "no stragglers between two worlds".

All the same, Bonn's Eastern policy had partly paradoxical effects. Without having come with unattainable demands right at the outset, the reactions of Moscow, Warsaw, Bucharest, and Prague were quite positive. But East Berlin obviously only fell into line as a feint and, in fact, tried by voicing absurd maximum demands to deprive sensible discussions of any basis. According to Ulbricht, the Eastern policy of the former Great Coalition Government had already endangered the internal order of the GDR. Ulbricht's deputy, Honecker, warned shortly after Brandt's Government Statement that nobody could be certain as to whether the population of East Germany would be loyal in the event of an inner-German rapprochement. This can only mean that the other part of Germany would be unlikely to be interested in serious talks. Now, that those in power in the GDR see themselves confronted with a Federal German Government genuinely willing to compromise, East Berlin seems step up its demands higher and higher in order to avoid a compromise at all cost.

The CDU/CSU opposition calls Brandt's foreign policy nebulous and takes advantage of the fact that, out of consideration for the negotiations, the Federal Government must exercise discretion on the whole issue. In having given the controversial definition of a nation forced by the lost war and adverse circumstances to live in two States, the Chancellor had merely stated hard facts. Every realistic politician out to achieve results cannot but base his policy on facts. It is, moreover, incomprehensible why, because of this, a later re-unification of Germany should be prejudiced.

However, the real danger for the Government does not stem from the opposition which in a somewhat machiavellian manner draws up postulates at present not realisable. What appears to be dangerous, however, is the weakness of the FDP which could easily become much more evident during the forthcoming local elections particularly in North-Rhine Westphalia. But should the Government not be able to last the whole course of the present legislative period, this would of course not be a national disaster. The opposition has after all proved its ability to govern. All the same, it would be a great pity, for a democracy lives by it being put into practice. And a "Change of the Guard" between democratic partners is part and parcel of this practice.

Hubert Höping

This is the fifth year our periodical is published. Its purpose is the creation of an international forum of discussion. Simultaneously it offers a survey of German opinions on important events. Numerous authors have given us their valuable support and we take this opportunity to thank them for their cooperation and advice. We shall endeavour to pursue our aims continuously and to improve our periodical, e.g. by publishing articles from leading German economists dealing with trends in applied economic theory, and by reporting on German enterprises of worldwide reputation. The editorial staff sincerely thanks Professor Andreas Predöhl, former President of the German Overseas Institute, who as co-publisher from the beginning of INTERECONOMICS has always taken a particularly active part in it and always supported the publication by word and deed. At the end of 1969 Professor Predöhl retired from the German Overseas Institute. His successor is Dr Günther Jantzen whom we are pleased to welcome as our new co-publisher.

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