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Economics Minister Karl Schiller on “Concerted Action” (January 9, 1967)

To allay fears caused by the first postwar recession, Federal Minister of Economics Karl Schiller promised in a radio speech that the government would engage in counter-cyclical spending. He also appealed to employers and labor unions, asking them to set aside their wage struggles in order to support efforts to overcome the economic slump through “concerted action.”

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There is hardly a topic right now that is more actively discussed in the public arena, and also in private conversations with family members and friends, or at work, than the question: Where do we stand today in our economic development and how will things continue in the future?

In this situation you are right to expect an honest word on the state of the economy from the Federal Minister of Economics, a word that neither glosses over nor dramatizes. Without a doubt, we are, at the beginning of this year, in a critical phase of our economic development. The German economy that ran at full steam for years has clearly slowed down in recent months. Price trends have calmed down, and the balance of payments has regained its equilibrium, but now the growth of our economy and, more importantly, the full employment of our population are endangered instead. Financing options, which have become more difficult to come by, and the economic and domestic-political instability of the past year have considerably weakened the investment activities of enterprises. Private consumption, which supported the economic boom for a long time, is virtually stagnating now as well. The positive development of foreign demand – that is, exports – can at most create a certain counterweight here but by no means a balance that will be sufficient and effective over the long run. The consequences of this development are obvious. A shortage of orders and growing warehouse stocks are forcing more and more companies to lower production and introduce shorter workdays. At the same time, workers who are not viewed as indispensable are being laid off.

Certainly, when you look at the big picture, this development has remained within relatively tolerable limits up to now. The rapid rise in unemployment figures in the last weeks and months and the obvious decline in industrial production have made the gravity of the situation clear, however. After hearing the prognoses of various research institutes, we also have to anticipate that this situation will get even worse, unless the government introduces timely countermeasures.

In this situation of economic downturn, the federal government therefore sees its most important economic policy task as paving the way for a new economic upswing as soon as possible. This, however, needs to be done in a way that avoids causing burnout later on. We have to get back out of the economic slump quickly. This is certainly easier said than done. Lost confidence, even in the economy, especially in the economy, cannot be regained instantly. But by no means must we simply accept the ups and downs of business cycles as fate. These ups and downs are the result of our own decisions and our own actions. Therefore, in its December policy statement, the federal government presented an economic and financial policy program through which the economy can once again be stimulated to new action without endangering price stability. The federal government hopes for support in this from all the autonomous authorities responsible for economic development. The credit policy resolutions of the Central Bank Council in the past week have shown that step-by-step support can be expected from the German Federal Bank. In its policies, however, the federal government is dependent not least on the support of collective bargaining partners; because the leeway for expansionary policy depends decisively on wage policy decisions and on the actions of employers. My first talk with the representatives of the unions took place right before Christmas, on December 22; it showed that there is far-reaching agreement in assessing the present economic situation, and that there is a willingness on behalf of the unions to participate in voluntary and joint action by the unions and the employers' associations. Today, just a few hours ago, I had a visit by the president of the Federal Association of German Industry [*Bundesverband der Deutschen Industrie*]. In this conversation, we were fully agreed in our assessment of the economic situation and on the economic policy measures that need to be taken. I may therefore say: the most diverse social forces are increasingly uniting to find a common course of action that is in keeping with the needs of the economy.

In this concerted action, as we call it, by unions and employers' associations, the federal government, supported by its large parliamentary majority, will lead the way with powerful economic and financial policies. Shaping the federal budget for 1967 in a manner appropriate to the economic situation and financial planning for the coming years will play just as important a role in this as the rehabilitation of the capital market and the immediate passage of the Stability Law. But we can only create the preconditions for the immediate upturn of our economy by enacting flexible and elastic policies that are oriented equally toward the two goals of growth and stability. Stability and growth must rank equally as indicators in a well-balanced economic policy. The aim of the economic policy for 1967 is: expansion or an upswing in the economic situation to an appropriate extent [*Aufschwung nach Maß*], that is, to the extent that is possible in our economy. The new upswing that we want to introduce must remain under the control of the economic policy. But it also should not be hindered out of pure fear of worries about new dangers.

Looking back on the year 1966, we must confirm that it brought with it serious economic difficulties, which were intensified not least by the political uncertainty of the fall months. Now, after the political crisis has been overcome and the government has gone to work with a sense of determination, the economy, too, can look to the future with greater confidence and trust. The

stabilization of the political conditions will give the economy new impulses and thereby help to immediately overcome the present period of weakness. To be sure, 1967 will not be a year of major economic growth and great increases in affluence. But I am quite sure that it will be a year of economic and financial consolidation and the beginning of a new upward trend.

Ladies and gentlemen, I wish you a pleasant evening.

Source: German Federal Minister of Economics Karl Schiller on the State of Economic Policy, Bavarian Radio, January 9, 1967.

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