

Germany's Social Democrats advocate monetarism with a 'socialist' face

by Rainer Apel

"Force for the New" was the slogan of the April 17 national party convention of the opposition German Social Democratic Party (SPD) in Leipzig. There, to no one's surprise, Gerhard Schroeder, state governor of Lower Saxony, was officially nominated to be the party's candidate for Chancellor. Ever since British Prime Minister Tony Blair's "New Labour" crowd took power in London in May 1997, the German SPD has tried to borrow from the glamor of the Queen's socialists, even including the use of English-language posters in the Hamburg city-state elections of September 1997—which many SPD voters were not impressed with, however, voting then-Mayor of Hamburg Henning Voscherau (SPD) out of office.

The "Blairishness" of the SPD also involved distancing themselves from the French Socialists, after they took power in Paris in the June 1997 elections, and not supporting their efforts to renegotiate the European Monetary Union agreements. The SPD stayed loyal to the monetarism of the EMU in principle, calling for amendments to the EMU in social and labor policies only. Without the support of the SPD, the French Socialists, including Prime Minister Lionel Jospin, swung back into the pro-EMU camp, adopting the SPD "amendment" strategy.

Already in the summer of 1997, Schroeder, the SPD Chancellor candidate-designate, made clear in interviews that he preferred Blair's way to that of Jospin. And, in September 1997, he went public with the draft for a party campaign platform for the September 1998 elections, which very much reflected that preference.

In that platform, Schroeder proposed a massive expansion of service-sector and low-income jobs, on the condition that the state subsidize firms that create such lower-qualified, lower-paid jobs, and that the state force social welfare recipients to accept such jobs. The latter was clearly copied from Blair's overtly neo-liberal "Welfare to Work" project.

In the following weeks, an additional aspect was inserted, taken from the French government's announcement of state-funded creation of 100,000 jobs or youth apprenticeships. All of that was done to make the draft for the new SPD platform look "more social," and to neutralize justified criticism of the draft platform coming from those sections of the party membership which could be characterized as "leftist tradi-

tionists." With all their programmatic faults, stemming from the 1960s paradigm shift into environmentalism and the post-industrial society, these sections of the SPD at least keep a certain loyalty to the needs of the productive sector of the economy. Rather than promoting, as Schroeder and the "new SPD" are doing, the massive expansion of service-sector jobs, they call for state measures to enhance the creation of jobs in industry and infrastructure.

The Irsee Resolution

This outlook was endorsed by Bavarian section of the SPD, in Irsee, in mid-January 1998. There, they adopted a resolution calling for emergency state action to stabilize the German economy—which everyone in his right mind knows is in a depression, even if most experts try not to use the word. The Irsee Resolution called for 1) a national program for low-interest or no-interest loans for public infrastructure development projects (transportation, municipal and other infrastructure, and so on); and 2) a European equivalent, which would be a revitalization of the 1993 Delors Plan for European-wide public infrastructure development, and for the creation of up to 10-12 million jobs.

As for the first point, the Bavarian SPD proposed special loans issued by the state, in the range of 35 billion deutsche-marks (roughly \$20 billion) per year (1% of GDP), for at least two years. The program could be run through the Frankfurt-based Reconstruction Bank (KfW), which would begin to be reimbursed through tax revenue from the economic projects after a two-year grace period, once the projects began producing. To secure the extra-budget capital input for the two years of transition, the government would need a special authorization through the 1967 Law on Stability and Growth, which was passed at the peak of the economic recession of the mid-1960s. It would have to be modified and updated, to meet the requirements of the situation of 1998—for example, the fact that national unemployment today is 12 times that of 1967.

As for the second point, the idea was to do the same thing on the EU level, through the European Investment Bank, which would issue loans at low or no interest for the Delors Plan projects and some additional newly defined grand projects.

However, the Irsee proposals received only lip-service from the national SPD party executive, which had already defected to the neo-liberalism of Blair, and endorsed Schroeder's September 1997 draft program. To insiders, it was clear already at the end of January, that the SPD as a whole would take notice of the Irsee initiative, but adopt the Schroeder formula—although, at that time, it was not entirely clear that Schroeder would also get the official nomination for the Chancellor candidacy. The March elections in Lower Saxony, which reelected Schroeder as governor and yielded a several percent increase in the vote for the SPD, cleared the way for his candidacy. The SPD party executive endorsed his candidacy the day after those elections, and a massive public relations campaign was launched, advertising the winner of Lower Saxony as the coming winner of the national elections in late September.

This media campaign was part of an increasing number of commentaries in the other European press, including that of France—although Schroeder has never made a secret of his antipathy for the French Socialists. This tells how far the star of incumbent German Chancellor Helmut Kohl has fallen, not only among Germans, but also abroad. And, it tells about the opportunism of the media. It is what the people here call “Americanization of election campaigning”—the worst aspects of unprincipled propaganda. What, after all, they asked, is “new” in the Schroeder campaign profile, that promises a change from the Kohl era?

During the first days of March, the revised draft proposal for the SPD election campaign platform was leaked to the media. Maybe it was “new,” but definitely, it was no clear alternative to the monetarist policy of Chancellor Kohl's government, let alone anything like a design of the kind that the Irsee Resolution, which at least took official notice of the reality of economic depression, represented.

More globalization

The Schroeder campaign platform, which was also officially endorsed at the SPD party convention in Leipzig, has no substantial reference to the ongoing world economic crisis, but refers to “globalization,” i.e., the seeking out of cheap labor, as a fact which has to be “socially shaped” to be made acceptable for Germany. This includes more “flexibility” (i.e., in terms of working conditions and wage levels) from the labor force; more low-income jobs, temporarily subsidized by the state; Blair-style “Welfare to Work” elements introduced into the social welfare system, including penalties against welfare recipients who refuse to accept jobs to which they are assigned; and, tax rebates offered for industrial companies that create more jobs and apprentice positions. The SPD wants to create 100,000 new jobs for the youth, every year. The 100% paid sick leave, which the Kohl government abolished in October 1996, is to be restored.

At the same time, the state budget shall be balanced, or nearly balanced, the SPD states. This means that none of the

announced measures against joblessness would be initiated, if the funds were not there. And, the funds won't be there, because the deepening depression is causing an unabated drop in tax revenues to the state. That is why the SPD is considering an ecology, or anti-pollution tax. How big that new tax shall be, they are not telling the voters. There is a reason behind this tactical silence of the SPD: The Green party, which is a coalition partner of the Social Democrats in 4 of the 16 German states, caused a storm of outrage in the population, when in early March, they called for an almost fourfold increase in the price of a liter of gasoline, from DM 1.50, to DM 5 (roughly \$10 a gallon), as part of their “ecological reform” program.

The ecologist aspect of the SPD program is therefore somewhat toned down. The call for an end to nuclear power “as soon as possible,” and for a “bridge into the solar energy era,” remains, as does the call for an “ecology tax,” and for special new taxes on pollution. But, “excessive tax burdens,” such as a drastic gasoline tax increase, are rejected.

The door is kept open for R&D in biogenetics, but military research is to be scaled down, along with space technologies, particularly everything related to manned space flight programs. Moreover, the SPD is still opposed to alleged “prestige projects,” such as the Transrapid maglev rail technology.

Defense of the banks

And, SPD leaders endorse monetarism, in defense of the banks. When, over the Easter weekend, Rudolf Dressler, a vice chairman of the SPD parliamentary group, endorsed a tax on speculative capital gains, Schroeder immediately declared his own strict opposition to such a tax. Also, SPD national party chairman Oskar Lafontaine, in his new book *Wealth for Everybody* (which is in favor of globalization but, because of “social” concerns, is against its worst excesses), prefers to side with the Bretton Woods Committee of arch-monetarist Paul Volcker, the former chairman of the U.S. Federal Reserve Board.

Although it is generally taken for granted that Schroeder will defeat Kohl in the September national elections, there is a problem inside the SPD. The “traditional left,” or substantial parts of it, may not vote for the man who, to them, looks like just a younger Kohl, or, as some have put it, a “monetarist with a Socialist face.” Thus, Schroeder may lack the few decisive votes that would give him the small margin by which he would be able to defeat Kohl.

And, the depression is deepening, irrespective of what the established political parties say. Unemployment figures keep rising, including in the service sector, which the Social Democrats consider their “new economy.” The SPD “monetarists with a Socialist face” might be deserted by crucial constituencies, even before the election. This, at least, is more certain, at this moment, than the defeat of incumbent “monetarist with a Christian Democratic face” Helmut Kohl.