

The “Neue Mitte” in Germany: Re-building the ship in the open sea

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Talk at the Institute for German Studies,
University of Birmingham, 12. October 1999¹

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¹This talk is based on a longer analysis co-authored with Philip Manow which will be published in Stuart White (ed.), *New Labour and the Future of Progressive Politics*, London: Macmillan 2000

1 Introduction

1.1 Triumph in 1997 election

When on September 27, 1998, Helmut Kohl was voted out of office after 16 years and a Social Democrat, Gerhard Schröder, took his place, many signs pointed to this being an historic event:

- In only the third change of government in nearly fifty years, for the first time a sitting Chancellor had been voted out of office and the previously governing coalition sent to the opposition benches.
- After its biggest loss ever (6.2 percentage points), the CDU/CSU was left with their smallest share of the vote since 1949, a meagre 35.2%. At the same time, the SPD enjoyed its largest increase ever (4.5 percentage points) and became, at 40.9%, the strongest party in the Bundestag for only the second time after 1972.
- With the PDS clearing the five per cent hurdle for the first time, the Bundestag is turning into a multi-party parliament with five parties – the highest number of parties since the 1953 elections.
- And an iron law of German elections had been broken, as a sitting Ministerpräsident (state prime minister) has managed to win a federal election. This has never been achieved before: Brandt (1961, 1965), Kohl (1976), Strauß (1980), Rau (1987), Lafontaine (1990) and Scharping (1994) had all tried, but failed.

1.2 Why no parallel to New Labour's success?

Given all this, a parallel with Labour's landslide victory in May 1997 under Tony Blair comes to mind. But it were not only the scenes of jubilation comparable with those in London's Downing Street on May 2, 1997 that were missing from the streets of Bonn and Berlin.

The more time passed after the federal election, the clearer it became that – despite pre-election vows to the contrary and post-elections attempts to appear as birds of the same feather (demonstrated e.g. in the co-authored Schröder-Blair policy statement on “The way ahead”) – substantial differences indeed remain between Blair's “New Labour” and Schröder's “New Centre”, the *Neue Mitte*.

In recent weeks, spectacular electoral defeats in a number of Länder elections, most recently on October 10th in Berlin, have demonstrated very clearly that only a year after its great triumph, the government of the Neue Mitte is in deep crisis, while more than two years after its landslide victory, the Labour government still enjoys a great advantage in opinion polls.

I will analyse the reasons for this remarkable difference between “New Labour” and the “Neue Mitte” in three steps:

- I will argue that at the level of the overall political system, a number of features are in place which influence parties' strategic choices and would, even under more

favourable conditions in the other areas, have made a success along the lines of New Labour in Germany rather unlikely.

- Secondly, I will look at the level of party organisation and argue that a number of factors here made the production of a coherent set of policies comparable to Labour's "policy review" very difficult;
- Thirdly, by looking at the level of the party system, I will argue that different strategic challenges to a large extent can account for the present situation: on the one hand, the post-materialist challenge exerted by the Green party, and secondly the neo-liberal turn of the Liberal party to the right of the Social Democrats, which altered conditions for a German Third Way strategy in so far as it consists of an alliance between left and liberal forces.

2 Political system factors

Let me start with the overall political system.

You all know that there are fundamental differences between the way the political system is structured in Germany and in the UK. The German political system is characterized by a number of features which severely circumscribe the power of the central government. Among the most prominent are

- federalism
- coalition government and
- the existence of strong 'contre-gouvernements' such as a constitutional court and an independent central bank.

If one wants to compare the situations of the SPD and the Labour Party, then the existence of cooperative federalism in Germany is undoubtedly the feature which most clearly sets them apart. Over the 1980s and 1990s, the character of the SPD has become increasingly 'federal' – a reflection of the fact that the power base of the opposition party was located in the Länder. Heterogeneous Länder interests together with the career aspirations of state prime ministers made it extremely difficult for an opposition leader to define and pursue a coherent strategy. This was very evident in the case of Rudolf Scharping: his lack of success to bring the SPD Länder chiefs in line (which proved to be particularly difficult in the cases of the ambitious Schröder – at that time prime minister in Lower Saxony – and Lafontaine, then prime minister of Saarland) was a main cause for his demise as SPD chairman. I will return to this later.

With respect to the other factors mentioned above, it is instructive to look at systematically comparative work in this field. Manfred Schmidt has constructed an indicator measuring the institutional constraints of central state government which takes into account factors like the ones mentioned above (Schmidt 1995, 1996; for similar attempts, see Colomer 1993; Huber/ Ragin/ Stephens 1993). On this scale (which varies from 0 to 5, the latter indicating the most powerful constraints), Germany scores 5, while

the United Kingdom is among the countries with the fewest constraints, scoring only 1. It is clear that, along with the power of the federal government, these constitutional arrangements also limit the power of the parties in government. Much here depends on negotiations and compromises with the other power centres and veto players.

These structural features have an impact on political parties' strategic choices. My main argument here would be that under such conditions, where the party in power has very limited influence on policy outputs and policy outcomes, it is perfectly rational not to precommit too clearly to policy positions in order not to antagonize important future cooperation partners. Not precommitting can thus help parties to avoid the impression of failure.

The same argument applies to the non-state sector, where trade unions and employers' associations are stronger and have more influence in the German than in the British case. Both have traditionally played an important role in coordinating not only collective bargaining, but also more generally in the crucial sphere of economic policy. There has been, for a long time, a successful cooperation which was a crucial ingredient to German economic success. During the last decade, however, – under the stress of economic downturn and mass unemployment – the power of the respective peak associations has decreased in line with lower organisational density, and increasing conflicts about the shouldering of the burdens of crisis have been the consequence.

While the trade unions are not as influential in the SPD as they were in the old Labour Party, they are an important part of it and, especially under the conditions outlined before, may enjoy the status of a blocking minority when it comes to major shifts in (especially economic) strategy.

3 Intra-organisational factors

Some of the factors that I just mentioned also have an influence on my second level of analysis, that of the internal organisation of the SPD.

Here, I want to concentrate on three items:

- decentralisation (obviously, but not exclusively influenced by federalism),
- the overall organisational character of the SPD and
- the high degree of personnel turnover in the last ten years.

3.1 Decentralisation

If one compares it with a centralized system like the British, an opposition party faces a fundamentally different situation in a federal political system like that of Germany. This encompasses both advantages and disadvantages:

- **Positive consequences: other sources of power**

On the one hand, there are significant sources of power independent from the center.

In the case of the SPD this meant that even 16 years of opposition did not deprive the SPD of significant influence in the German political system, and its existence as a viable national party was never really threatened. The main reason is that in all these years the SPD managed to constantly expand its power-base in the Länder. In 1982 (the beginning of the Kohl era), the SPD was represented in 4 of 11 Länder governments (or 36 %); in the beginning of 1999, in 13 of 16 Länder governments (or 81 %).

Since April 1991, the Social Democrats continuously held a majority in the federal chamber, the Bundesrat, which gave the party considerable influence on most of the bills that passed parliament.

In addition, the SPD could implement its preferred policies if they fell into the responsibility of the Länder. Given the broad administrative responsibilities and the exclusive political control of the German states in several policy fields like education, police and culture, this resulted in considerable influence on German public policy and a considerable share of political power.

- **Negative consequences: not forced to change**

On the other hand, such a situation may create problems of its own. For during all these years, the SPD was never forced to undertake a programmatic repositioning comparable to the ‘policy review’ process the Labour party underwent under Kinnock, Smith, and Blair in the years after 1987. I would argue that in the German case, the electoral failure was simply never as evident, and there were always limited successes on the Länder level to compensate for failure on the federal level. The ‘level of desperation’ never seemed to reach a critical threshold.

3.2 “Loosely coupled anarchy”

Apart from this, it is also doubtful whether a process comparable to that in the Labour Party could have been organized within the SPD, for it is a party without a strong and recognized center, especially during times when it is in opposition on the federal level.

It has been termed a ‘loosely coupled anarchy’ (Loesche/Walter 1992, Loesche 1993) characterized by

- organisational decentralisation and fragmentation, resting on a high level of local and regional autonomy which is exacerbated by considerable autonomy of the various *Arbeitsgemeinschaften* (e.g. the party youth organisation, the women’s organisation, the various organisations along profession lines etc.). Besides that, left-wing, centrist and right-wing party activists are organized each in their own networks. All these different groups act like intra-party interest groups and compete for influence. As a result, the SPD, historically the ideal-type of the hierarchic, centralized, bureaucratic, monolithic, ideologically coherent organization (cf. Michels 1927 [1989]), today rather resembles a ‘federation of federations of federations of local groups’ (Loesche 1993);

- heterogenous social support from groups as different as skilled and unskilled workers, academics, small businessmen, managers, students and old-age pensioners. The times in which the SPD represented primarily one large group, namely skilled workers, are long gone, as is the demographic dominance of this group within the electorate;
- programmatic and ideological variety as a result of changing patterns of social structure and support. This variety makes bridging competing wishes and reconciling different positions very difficult. Often, only very abstract programmatic generalisations can be agreed upon which paper over disagreements for the time being, but are difficult to translate into specific policy positions once the time has come.

3.3 High personnel turnover

The shifting alliances between the various power centers within the party resulted in a high level of personnel discontinuity in the party leadership. After more than 23 years of Brandt's continuous chairmanship, the quick succession and short-lived chairmanships of Vogel (1987-91), Engholm (1991-93), Scharping (1993-95) and Lafontaine (1995-99) are indicative of a lack of direction. The same applies to the position of the Chancellor candidate: while Willy Brandt was allowed three attempts to win the chancellorship in the 1960s, the SPD fielded a new candidate in each election since losing power in 1982: Vogel in 1983, Rau in 1987, Lafontaine in 1990, Scharping in 1994 and Schröder in 1998.

This means that contrary to the 'strategic clique' that reoriented the SPD in the 1950s away from a class-based party and towards electability for broader strata of the electorate, the generation born between 1938 and 1948 has dominated the higher echelons of the party for a long time, but failed to form a similar clique, work out a concept for reforms and agree on an integrating leader with a credible claim to national office.

A tendency towards programmatic conservatism was the natural outcome of this situation, for leaders who have to continuously establish their support cannot embark upon a fundamental re-orientation of the party program.

4 Party system factors

Let me, as a last step, take my analysis to the level of the party system.

4.1 Challenge from the Left, not Centre

Contrary to the Labour Party of the early 1980s which was challenged in its dominance of the center-left by the SDP establishing itself to the political right of it, the SPD was confronted with a new party which emerged to its political left, namely the Green Party.

The latter's success signalled the emergence of an ecological-postmaterialist cleavage in the West-German party system in the late 1970s and early 1980s. As a result, the SPD was put at a severe strategic disadvantage. Never coming even near an absolute majority

of its own, it had to rely on a coalition with the Free Democrats since 1969. Losing part of its electorate to the Greens, however, meant that the Social Democrats were now robbed of their capacity to form a winning two party coalition (with the exception of a grand coalition with the CDU). The Free Democrats quickly recognized this and jumped ship, forming a coalition with the Christian Democrats in late 1982.

Three reactions to this new situation were possible for the SPD:

- It could try to ‘re-integrate’ the groups of the New Left which centered mainly around so-called post-materialist issues like ecology and peace;
- it could concentrate on the old ‘materialist’ core issues that had historically been the mainstay of the SPD and try to win a majority of its own; this, however, would have implied appealing also to the broader electorate to its right;
- or it could pursue a strategy of ‘division of labour’ with the Greens with the perspective of forming a coalition with them.

But during its 16 years in opposition, the SPD did not choose one of these strategies and pursued it consistently. Instead, it tried all three and switched between them. Let me briefly illustrate this point.

After losing power in 1982/83, the SPD first moved to integrate the new positions. The 1979 NATO ‘double track’ decision was rejected, and in 1986 nuclear power was rejected. At the same time, it was attempted to bridge the gap between the trade unions and the ‘new politics’ by advocating a ‘reconciliation between labour and the environment’, thus giving something to everyone.

The second half of the 1980s saw on the one hand an attempt by the ‘old’ SPD under Rau to emphasize the ‘materialist’ perspective of the trade union wing and promising to protect the interests of old industries such as steel and coal, while at the same time the ‘new’ SPD under Lafontaine tried to start a discourse on economic modernisation through calculated attacks on the trade unions and their perceived immobility.

In these years, the party went through a laborious process to agree on a new party programme which was to replace the ‘Godesberg programme’ of 1959. It finished this work in December 1989 only to find the Wall coming down and the whole situation of European politics completely altered. The ‘Berlin programme’, with its emphasis on risks induced by and scepticism towards new technologies, never gained the importance of its predecessor.

Unification caused strife within the SPD, as the Lafontaine generation could not agree with the Brandt generation on the importance of German unification. A disastrous election result in 1990 was the consequence of having badly misjudged the signs of the times – and of having next to no organisation in East Germany.

In the years to follow, a weak party leadership (first Engholm, then Scharping) tried to move the SPD onto a course towards economic modernisation, emphasizing materialist issues such as fiscal solidity and lower taxes. The hapless Scharping came under attack from two sides: from the party’s economic spokesman Gerhard Schröder (who had lost in the party plebiscite on the leadership), and in a surprise move by Lafontaine at the

Mannheim party convention of 1995, where the latter's rousing speech was too strong a contrast over the stiff Scharping for the delegates to resist a putsch.

From 1995 onwards, the new chairman Lafontaine concentrated on consolidating the party on a course of economic modernisation, emphasizing above all fiscal prudence but also paying tribute to traditional party members by committing himself publicly to hallowed principles of German social democracy, in particular by promising that the SPD – once in power – would defend the generous German welfare state and would maintain encompassing state responsibility for 'social justice'. Gerhard Schröder, in the meantime, continued to sharpen his profile more through confrontation with the party than through cooperation, criticizing the party leadership, and continuing to pose as the 'Genosse der Bosse', the bosses' comrade. He gained his reputation as a reformer and innovator primarily in the role of the outsider who loved to provoke the traditional SPD rank and file by continuously putting into question core beliefs of German Social Democracy, thereby emphasizing (if unwillingly) the fact that in many fields, the SPD had not undergone profound programmatic reform during the 16 years in opposition.

Schröder could play this role largely because he did not depend on the central party machine for his political survival – he had his own power center in Lower Saxony.

So the SPD 'troika' was replaced by the 'Doppelspitze' (twin leadership) after the putsch against the unsuccessful Scharping, with Lafontaine as party chairman and Schröder as the Chancellor candidate. While many thought that the unsettled question of power between Schröder and Lafontaine would be a major liability for the election campaign, it in fact turned out to be a solution to the dilemma of strategic placement between the old traditional SPD-voters and the pool of moderate votes to the right of the party.

The division of labor between Lafontaine and Schröder was clearly defined: Lafontaine could please the core-party clientele, while Schröder attracted the voters of the centre. The SPD was thus able to fully mobilize their traditional voters and, in addition, to appeal to a significant number of swing voters. This was a crucial precondition of electoral success for a party that usually – given the socio-economic composition of the German electorate – represents a 'structural minority'.

The success of the SPD's dual campaign strategy, however, came back to haunt the Schröder government (especially after Lafontaine's surprise resignation in March 1999), because those who voted SPD in September 1998 are now split into 'two electorates' with clearly distinct policy preferences, different socio-economic-, age-, and gender-characteristics and different degrees of party-loyalty. It seems almost impossible to please one group without disappointing the other. Given the lower degree of party loyalty of those 30 percent of the 1998 SPD-voters who said that they had voted SPD for the first time, this 'less orthodox' social democratic electorate, while smaller in number, might threaten more credibly with 'exit'.

4.2 No partner to the Right: the FDP's neo-liberal turn

But there is a second aspect on the level of the party system that is important.

Since a new coalition between Social Democracy and political liberalism seems to

be what is at the heart of the new politics of the Third Way (cf. also Beer 1998), it is important to note that Britain and Germany again differ clearly if one considers the rather cooperative relationship between New Labour and the Liberal Democrats on the one hand and the strategic constellation between the SPD and the Liberal party in Germany on the other.

The coalition of the Neue Mitte in September 1998, I would argue, was not only due to the choice of the right opposition strategy, but also the result of a more general shift in the basic political constellation between political forces in Germany. In this respect the position shift of the FDP is of particular importance. In marked contrast to the SDP in Britain, the FDP had occupied a pivotal position within the German 'two-and-a-half party system' (Sartori 1976) for most of the postwar period. It was able to extract an extraordinary political payoff from its central political position. Twice, in 1969 and 1982, the Liberals were the decisive factor for the change of power. As a consequence, no other party had been in power for such a long period of time.

However, this impressive electoral success of the FDP became a pyrrhic victory in the long run. Each time the FDP changed coalition partners, they lost a significant part of their electorate and membership: in 1969 the rightwing national liberals left the party, in 1982 the leftwing social-liberals. As a consequence, the party became more homogenous and programmatically streamlined and less able to represent different strands of liberalism that would allow to form political coalitions with changing partners. At the same time, its sole political *raison d'être* increasingly came to be to secure a center-right majority in a coalition with the Christian Democrats.

The narrowing of the programmatic position of the FDP and of its coalition options was reinforced by the emergence and subsequent establishment of the Greens as the fourth party in the German parliament since the early 1980s. As a result, the FDP came to bind itself ever closer to the CDU, since the SPD had lost its ability to form a two party majority – and to become member in a red/green/liberal coalition was not an attractive option for the FDP.

It is often assumed that the FDP covers the political middle ground between the Christian Democrats to the right and the Socialdemocrats to the left of the political spectrum. But the Liberal party is in fact more extreme than either the CDU or the SPD if one acknowledges for the fact that party competition in Germany takes place along two dimensions: a socio-economic left-right dimension and a law and order vs. civic rights dimension (cf. Pappi 1992; Laver/ Hunt 1992: 56-57, 201).

On both these dimensions, the FDP is a radical party, not a party of the center. It is more (neo-)liberal in the economic sense of the term than the CDU, taking a more radical stance in questions of privatization, deregulation, tax cuts and fundamental welfare reforms, and at the same time it has always been more liberal with respect to citizen rights, data protection, immigration, abortion, judicial reform etc. than the Social Democrats. However, due to the serious weakening of its left (or social) wing in the wake of the 1982 and due to the new strategic constellation resulting from the political advent of the Green Party, the Liberals increasingly became a party solely concentrated on economic neo-liberalism. Thus during the 1980s the party lost most of its social-liberal identity.

While the FDP's main political program was based on the plea for radical deregulation, its prime function became to secure a bourgeois majority. Within this strategic context, the Christian-Democrats as a 'catch-all party' (Volkspartei) could do no other than defend the status quo of Modell Deutschland against the neoliberal challenge. But as long as the CDU itself appeared to be the guardian of Germany's 'cosy capitalism' and the protector of the social aspect of Germany's social market economy, it was difficult for the SPD to attack the Kohl government by accusing it of having taken a neo-liberal course of profound deregulation, privatization and welfare retrenchment. And in fact, given the divergent positions in the CDU/FDP-coalition with respect to social and economic policy, the 'reforms' of the Kohl government were anything but a neo-liberal challenge of the German system. Quite to the contrary: in social policy, the Christian democratic/ liberal coalition even introduced a new social insurance branch in 1994, namely the insurance against long-term care, despite the major fiscal stress caused by German unification. This was another clear difference over British social policy under Thatcher (cf. Pierson 1994) and led to entirely different starting conditions for the Blair- and Schröder governments in 1997 and 1998 respectively.

It was only in late 1995 that this political stalemate was overcome. Chancellor Kohl tried to leave the path of incremental reforms resulting from the 'smallest common denominator' policies that had characterized the CDU/ FDP coalition for many years. When the coalition introduced the bill for 'encouraging growth and employment' in April 1996, Kohl deliberately provoked the breakdown of the 'Alliance for Jobs' talks (Bündnis für Arbeit) in which the government had sought to reach a consensus with the unions on employment and welfare issues, particularly early retirement.

Elements of the reform package were a lowering of sick pay benefits (from 100 to 80 percent), a loosening of employment protection standards, cuts on wage subsidies for construction workers during the winter (Schlechtwettergeld) and a reduction of the old-age insurance replacement ratio from 70 to 64 percent of net wages. Particularly the conflict over the reform of sick pay caused major public unrest, although it in fact had only negligible consequences – since unions and employers were quick to agree on the status quo ante in collective bargaining. By and large, the reform package backfired as an attempt to demonstrate the determination to enact sweeping reforms. The conflict over state subsidies for the coal and mining industry in early 1997, in which again the FDP had pushed the Christian Democratic party to take a more radical stance, added to the impression that finally the Kohl government had departed from the consensual style of German policy making.

The SPD – with renewed vigour after overcoming its leadership quarrels – quickly seized the opportunity and led a campaign of protests. The long standing charge that the Kohl government was embarked upon a neoliberal attack on the German consensus-model gained credibility for the first time. Consequentially, the SPD election campaign promised to take back the few reforms on which the Kohl government finally had been able to agree: sick pay reform, pension reform, the lowering of the employment protection standards and the cuts in the Schlechtwettergeld. In late 1996 the SPD overtook the CDU in the polls and the Christian Democrats never caught up again with the SPD until election day.

While its position on welfare reform helped the SPD to win the 1998 election, the Schröder government now finds itself in a dilemma between its promises and the necessity of reform, a dilemma that has not changed substantially after the resignation of Oskar Lafontaine as Finance Minister in March 1999. The SPD-campaign, which was highly successful because it sent a contradictory message, now has to be translated into a persuasive and coherent policy of the red-green coalition. Efforts to this end face the substantial obstacles that result from dynamics of party competition, party organization characteristics, and specific features of the German political system I have just spoken about.

5 Conclusion

Its triumphant electoral success a year ago left the SPD in a very strong position in the Bundestag: it enjoyed both a dominating position (as no two party coalition against it had a majority) and a central position (as there are two parties each to its left and right).

But the time since has shown that even such apparent strength can be misleading. I have argued that responsible for this were characteristics of the political system at large, the SPD's organisational structure and the nature of the strategic challenges within the changing party system.

Defeat in the state elections in Hesse in February 1999, where a red-green coalition was voted out of office only four months after winning office in Bonn, was the first serious warning, the writing on the wall, so to speak. Already then, the majority of the SPD-Green coalition in the important second chamber (Bundesrat) was lost, the window of opportunity of a double majority in both houses of parliament closed. Now, the federal government has to search for compromises with Länder governments dominated by the opposition parties to get approval for their plans.

Chancellor Schröder is faced with a daunting task if his government is not to become a short lived episode. It amounts to nothing less than a re-building of the ship in the open sea, to borrow Jon Elster's phrase.

While he has taken over the task of party helmsman from Lafontaine, his crew is less than enthusiastic about this, and occasional rebellions could still turn into mutiny. This is unlikely though at present, for it is plain that without successes the ship is heading for the electoral cliffs. Also, the most promising leader of a mutiny, Lafontaine, given his open insubordination in his memoirs and recent interviews, may be forced to walk the plank with respect to his party membership. The party conference in December will demonstrate whether Schröder has managed to gain command of his ship or not.