

## From "Moderniser" to "Traditionalist": Oskar Lafontaine and German Social Democracy in the 1990s

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## FROM 'MODERNISER' TO 'TRADITIONALIST#': OSKAR LAFONTAINE AND GERMAN SOCIAL DEMOCRACY IN THE 1990s

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## FROM 'MODERNISER' TO 'TRADITIONALIST': OSKAR LAFONTAINE AND GERMAN SOCIAL DEMOCRACY IN THE 1990s

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JÖRG MICHAEL DOSTAL

Oskar Lafontaine's resignation as finance minister of the Federal Republic, as chairman of the German Social Democratic Party (SPD), and as member of the German parliament on 11 March 1999 was widely perceived as a dramatic episode in the debate about the future direction of social democracy in Europe. Directly after the resignation of the second most important politician of the ruling SPD-Green Party coalition, his decision was explained on four accounts. First, the relationship between Lafontaine and the German chancellor, Gerhard Schröder, was understood as a power struggle between the leader of the major party in government on the one hand, and the leader of the government on the other. Second, Lafontaine was presented as a 'traditionalist', who preached doctrines about state intervention in the economy that were no longer acceptable in the global discourse of economic deregulation. Third, in the short period between the defeat of the Kohl government on 27 September 1998 and his resignation, Lafontaine had gained a certain degree of notoriety as "the most dangerous man in Europe" (*The Sun*). In the media, he was presented as too left-wing a politician to fit into the supposedly more 'modern' political project of the 'new centre' in Germany or the 'third way' in Britain. Fourth, for the first time in the history of the German SPD, the resignation of its leader had a strong impact on the markets: a short term rise of the Euro against the Dollar, and a sharp rise of stock market prices underlined the satisfaction of some observers about the end of a long political career.

In the following article, Oskar Lafontaine's political life will be discussed in order to highlight the shifting meaning of 'modernity' in social democratic discourse in the Federal Republic and in Europe. The focus will be on Lafontaine's failure to transfer successfully his standing as a social democratic 'moderniser' (which he possessed in the 1980s) into the 1990s. It will be argued here that analysis of his failure helps to understand why many social democrats have abandoned former core beliefs about the corporatist regulation of society in favour of the 'chance' of globalisation, and of market-driven 'modernisation'.

### OSKAR LAFONTAINE'S POLITICAL LIFE

In the second half of the 1980s, Lafontaine belonged to the 'Enkel' (grandson)-generation of younger Social Democratic politicians. They were designated as forming the core of the next generation of party leaders by their standing in

relation to the long-time SPD leader Willy Brandt. Other members of the 'Enkel'-group (the term is a journalistic invention) were Gerhard Schröder, Rudolf Scharping, and Björn Engholm. Lafontaine gained prominence as a national political figure earlier, in the first half of the 1980s, when the SPD was in opposition. He started off as one of the youngest ever elected mayors in Saarbrücken, a German regional capital, and from 1985 onwards he was prime minister (Ministerpräsident) of the smallest German state, the Saarland. Wherever he worked in local and regional government, the SPD governed with an absolute majority. Politicians were seen as the most significant players in a power game in which the dominant role of the state in decision-making was taken for granted. The strongest impact on Lafontaine's political thinking at this time was the decline in the Saarland's traditional, heavily state-sponsored coal and steel industries; it was a process which demanded new political strategies and models of employment. As premier of the Saarland, Lafontaine argued much earlier than his contemporaries that the old model of growth-triggered full employment was no longer viable.

Lafontaine's standing as a 'moderniser' of German social democracy in the 1980s resulted primarily from his role as an agenda setter. Under the impact of the ecological movement and the rise of the Green Party as a parliamentary competitor to the SPD, Lafontaine argued that industrial societies were unable to solve either the ecological crisis or the crisis of employment without a new political project of the left. In strong contrast to what he termed the 'conservative modernisation strategy' of the Kohl government, he put forward his alternative agenda of the 'social and ecological renewal of industrial society'. His vision included many of the predominant political ideas on the left at that time: the existence of objective limits to economic growth for ecological reasons, the need to redefine conceptions of the 'quality of life' instead of merely talking about increases in societal consumption, and the attempt to find answers to certain risk technologies like atomic energy. In his own words, the "concept of progress needs to be redefined against the dangerous potential of the modernisation process itself."<sup>1</sup> Lafontaine became one of the first SPD politicians to argue in favour of coalitions with the Green Party in order to secure majorities for a reform government of the left.

If perceptions of the ecological crisis provided Lafontaine with much of his rhetoric about alternative concepts of modernisation, he also focused on the particular problem of rising unemployment as the main danger for social democratic policy-making. In debates between the SPD and the German trade union federation (DGB) in the 1980s about how to fight unemployment, he coined the term "Arbeitsplatzbesitzer" (job owner), in order to emphasise that participation in society was dependent on employment; he thereby argued that solidarity and other social democratic values could only be defended if unemployment was kept under control. Against majority opinion in the trade unions, Lafontaine argued for a cut in working hours accompanied by parallel cuts in the wage levels of relatively well-to-do trade union members. Challenged

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<sup>1</sup>Lafontaine, 'Leben in der Risikogesellschaft', in U. Beck (ed.), *Politik in der Risikogesellschaft*, Frankfurt 1991, p. 212 [all translations by the author]. See also Lafontaine, *Die Gesellschaft der Zukunft*, Hamburg 1988.

on the grounds that a wage labourer by definition never ‘owns’ his workplace, Lafontaine justified his project by saying that it represented solidarity among different sectors of labour. His concept was also described as “solidarity within one class” (Claus Schäfer)<sup>2</sup> which stressed that only a trade union driven redistribution of work would defend the system of collective bargaining in the long term. Thus, Lafontaine tried to bridge the gap between ecological and social questions in order to redefine the core of SPD beliefs.

Like the Labour Party in Britain, however, the SPD remained in opposition until the late 1990s when new social movements and environmental concerns were no longer as high on the political agenda as had been the case in the 1980s. Still, in retrospect, increasing unemployment validated Lafontaine’s argument. The reduction of working hours that had remained a focal point for the SPD and German trade unions during the 1990s as a way of tackling unemployment was neutralised by a rapid improvement in productivity levels. Structural changes in the workplace consequently limited the political room for manoeuvre for both the SPD and the trade unions.

### 1989/90 AND BEYOND

Oskar Lafontaine’s first major disappointment as a politician at the national level dates back to 1990, the year of German reunification. After being asked by the West German SPD and by Willy Brandt to serve as candidate for chancellor, Lafontaine lost his election campaign against Kohl by making the case for a far slower economic and political integration of the two Germanies. He had to struggle with a political situation in which his own concerns, like ecology and social justice, were replaced by a single-issue: Kohl’s rushed progress towards economic and monetary union between West and East Germany. For the first time, Lafontaine single-handedly defended political ideas that he had judged correct against majority opinion and against significant opposition in his own party.<sup>3</sup> He fell out with Willy Brandt (who was in favour of Kohl’s unification drive) and had to accept internal splits in the SPD because of his unwillingness to embrace the rapid assimilation of the GDR. Lafontaine pointed out that Kohl’s plan would crush East Germany’s industrial structure and employment prospects. Although his bleak prognosis was subsequently proved more accurate than Kohl’s belief in “flourishing landscapes” in the East, he had to concede that the poor SPD showing in 1990 was a personal defeat.

At the beginning of the same year, Lafontaine also experienced a disturbing event in his personal life. During a campaign meeting of the SPD in North Rhine-Westphalia, a mentally deranged woman attacked him with a knife and he suffered critical injuries. At the end of what had, by all accounts, been an exceptionally difficult year for him, he decided not to stand for party chairman, and Björn Engholm became the leader. But Engholm’s party career proved to be short-lived and (following the Barschel affair in his native Schleswig-Holstein) he retreated from politics permanently in 1993. In reaction to this

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<sup>2</sup>See Lafontaine (ed.), „Das Lied vom Teilen“: *Die Debatte über Arbeit und politischen Neubeginn*, Hamburg 1989.

<sup>3</sup>For Lafontaine’s account of German politics in the year of reunification see his *Deutsche Wahrheiten: Die nationale und die soziale Frage*, Hamburg 1990.

episode, the SPD attempted a relaunch in putting forward a ‘one member-one vote’ internal party election for its next chairman. Gerhard Schröder lost the internal election against Rudolf Scharping, while the third prominent ‘Enkel’, Oskar Lafontaine, did not take part in the contest.

Under Scharping’s leadership, the party was once more defeated by Kohl in the 1994 national elections and declined afterwards even further in the opinion polls. At that time, the media focused mostly upon Scharping’s allegedly uncharismatic and weak leadership. Many observers argued that the party’s crisis was the result of a long-standing power struggle within the ‘Enkel’ group. Thus, the conflict within the leadership was portrayed as a personal issue between Scharping and Schröder while Lafontaine remained in the background and kept a low profile. Schröder, by contrast, used his position as SPD shadow secretary for economic affairs to advocate his personal opinions that were never discussed inside the party but made his name as a ‘moderniser’. Scharping’s move to dismiss Schröder from the shadow cabinet for an alleged breach of party loyalty only resulted in a further increase of the latter’s media coverage. It therefore came as a surprise to observers when it was in fact Lafontaine who challenged Scharping for the party leadership during the 1995 party conference. In a rousing speech he appealed to the party faithful that “only if we ourselves are filled with enthusiasm will it be possible to inspire enthusiasm in others” and convinced the delegates that he would be the right person to rebuild the party and engineer a future SPD-led government.<sup>4</sup>

## PARTY LEADER UNDER PRESSURE

From the very beginning of Lafontaine’s leadership, however, it became clear that he would not be the darling of the media. His political ideas were largely ignored, while his relationship with Schröder started to assume centre-stage. Until the end of Lafontaine’s career, the relationship between the two politicians was stereotypically presented as a duel between the ‘party man’ and the ‘moderate moderniser’. While Schröder could play the media at will, Lafontaine invited criticism with his new found emphasis on tackling unemployment by linking productivity increases to parallel increases in wages. By now, the latter was convinced that wage levels which had declined as a result of supply-side economic strategies were, in turn, responsible for triggering an even further increase in unemployment levels. He insisted that an SPD-led government should deliver some improvements for wage earners through redistribution.<sup>5</sup> Schröder,

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<sup>4</sup> The weekly *Spiegel* 47/1995, pp. 22-37, commented on Lafontaine’s party conference triumph over Scharping on 16 November 1995 ironically, by portraying the newly elected party chairman in Superman outfit on the cover under the headline “The saviour?” In a very sober assessment of Lafontaine’s “Napoleonic personality”, it was pointed out that even a politician of his standing would be unable to reconcile the challenges of global competition with the German social model. Lafontaine’s conference claim that he would lead the SPD into the “solar age” was never heard of again – presumably because the party dropped the language of ecological modernisation in favour of the language of economic competitiveness.

<sup>5</sup>Lafontaine/C. Müller, *Keine Angst vor der Globalisierung*, Bonn 1996 (also published in English). Lafontaine’s redistributive agenda remained rather unspecific. If challenged, he usually retreated into general comments and pointed out that a “well-balanced” approach to redistribu-

on the other hand, ignored the party faithful and distanced himself from Lafontaine. Instead, he was keen to be seen with successful managers and the leadership of the Federation of German Industry (BDI).

Although both Lafontaine and Schröder strongly denied their contradictory approach in public, their conflict was reflected in opinion polls. It was suggested that the SPD would be able to win against Kohl with Schröder as candidate for chancellor, while the 'leftist' Lafontaine would fail to convince the centrist German public. After Schröder's re-election as premier in the German state of Lower Saxony on 1 March 1998 with a slightly improved party share of the vote, it became clear that he had secured the SPD's candidature for chancellor and that Lafontaine would no longer attempt to stop him. In the subsequent build-up to the national election, Schröder seemed to count exclusively on a diffuse mood in public opinion and the media for 'change' and the German public's weariness with sixteen years of Kohl-rule. Lafontaine, by contrast, demanded that the SPD should commit itself programmatically to move away from neo-liberalism in favour of a 'just' social policy for wage earners and families.

Schröder, however, carefully avoided any programmatic commitment. The SPD's campaign strategy under the slogan of 'innovation and justice' (which, in its planning stage, had also involved party leader Lafontaine), was broadly understood as a form of job-sharing between both politicians. While Lafontaine convinced the party of the adherence to party principles, Schröder played the role of mediator currying favour with the right 'contacts' in business and the media. Hence, Lafontaine's strong association with a set of political ideas (judged by the media as too left-wing) was balanced out in public perception by Schröder's *laissez faire* attitude. In fact, Schröder never tried to put forward a grand programme for German society. Contrary to Lafontaine's denunciation of neo-liberalism, he argued that there no longer was a 'left' or 'right' economic policy, but only a 'modern' one.

The political ambivalence of the SPD between Lafontaine's day-to-day management and 'media-man' Schröder remained unresolved. In fact, it formed the core of the SPD's campaign strategy itself. Until election day on the 27 September 1998, most observers believed opinion polls which suggested a grand coalition between the Christian Democrats and the SPD. Firmly convinced that the SPD would have to balance out a grand coalition with the conservatives, the pact between Schröder and Lafontaine seemed to provide the best way to maximise SPD influence in a grand coalition. In the event, however, the SPD and the Green Party gained a comfortable majority, and the new 'red-green' coalition government elected Schröder as chancellor. Lafontaine became finance minister and Scharping, the third 'Enkel', was persuaded to give up his position as parliamentary leader of the SPD and became defence minister.

## THE SHORT VICTORY

The victory grew sour in a matter of days. The government was met by hostility from the media and opposition from representatives of many economic sectors.

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tion was needed – which was an attempt to avoid open conflict with majority opinion in the media.

Lafontaine was singled out in the press as the strong man while Schröder was claimed to be under his control. Consequently, Schröder was seen as being unable to ensure that the political strategy of the 'new centre' would be implemented. Nearly all government initiatives quickly turned into disappointments. The attempt to introduce a new, more liberal citizenship law to make it easier for foreigners to adopt German citizenship triggered a strong CDU counter-mobilisation in the streets, and simultaneously firm resistance from the electricity companies confronted plans for a step-by-step retreat from atomic energy. Already associated with the position of an 'agenda manager', Lafontaine was eager to put forward his political project of a more 'just' taxation system. His proposals included some elements of redistribution in order to increase consumer demand. Meanwhile, Schröder seemed to be unwilling to provide strong leadership in public and his 'shadow' Lafontaine had to accept that most of the blame for 'co-ordination mistakes' within the government was placed at his door.<sup>6</sup> With the advantage of hindsight, a large amount of tactical behaviour is detectable on Schröder's part. His frequent appearances in television game shows and his image makeover as the 'cashmere chancellor' gained him a reputation as a figure who seemed fascinated by the glamour of power while avoiding the trappings of political decision-making itself.<sup>7</sup>

Government infighting soon developed into an inter-ministerial conflict. Lafontaine and a number of dissident economists (who came to staff his finance ministry) were under constant fire from the chancellor's office. Although they avoided open conflict, the team around Lafontaine was effectively isolated. Faced with this situation, Lafontaine seemed to believe that domestic weaknesses could be compensated for by an offensive on the international stage. At a meeting of the G-7 finance ministers, he put forward plans to introduce corridor exchange rates for currencies on a global scale to counter international financial speculation. At the EU-level he pressed for tax harmonisation to counter 'race to the bottom' competition among EU member states, and demanded a redefinition of the responsibilities of the European Central Bank in order to include the creation of employment as one of its key tasks.

Lafontaine claimed that his proposals were merely putting forward conventional wisdom. However, the existence of a continuing and broad academic debate

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<sup>6</sup> The weekly *Spiegel* 44/1998, pp. 22-5, argued soon after the elections that Schröder and Lafontaine had to clarify the question of leadership: „Not yet really established in their offices, the chancellor and his shadow need a second start for a new beginning. Then it will probably be established whom is placed in whose shadow“. At that time, the possibility of solving the problem by removing one of the two players was not yet suggested.

<sup>7</sup> K.-R. Korte has pointed out that the political leader Schröder has "united by his style, less by programmatic integration formulas" and that "efficient governmental agency is much more equivalent to indecision and moderation in the twilight of pre-decision-making". See "Das System Schröder. Wie der Kanzler das Netzwerk seiner Macht knüpft", *Frankfurter Allgemeine Zeitung*, 25 October 1999. The theatre director Claus Peymann, *Der Tagesspiegel*, 28 November 1999, added: "We have a chancellor who has transformed himself into a moderator, a talk-master of politics. This man is just reading his texts. This is bad theatre. And as a director I can judge him: he is not too bad an actor".



about the future architecture of the international financial system did not change the fact that it was highly utopian for a German finance minister to believe that he would be powerful enough to demand institutional change without seeking the support of the US first. In the media spotlight, Lafontaine loved to talk about 'grand ideas' and was always willing to quote think tank memoranda about the growing international support for his demand-oriented alternative economic strategy. But as far as the domestic agenda was concerned, Lafontaine ignored the danger that he was exposing himself as the one person in government who had to be removed in order to trigger a fundamental change of government policy.

## RESIGNATION FROM OFFICE

It was therefore by no means coincidental that domestic policy problems prepared the stage for the final attack on the tax reformer Lafontaine. After one hundred days in government, it had become clear that the reform of the tax system would be one of the central projects of the new government. Sources close to Schröder briefed the media to underline that the chancellor demanded his own agenda be implemented and that Lafontaine's autonomy as a finance minister was strictly limited. At the same time, however, Schröder's alternative agenda was never explicitly spelt out, which made it difficult to know what was actually expected from Lafontaine – truly a no-win situation from the finance minister's point of view. In public, this conflict inside government was played out as media-driven excitement about the 'correctness' or 'incorrectness' of different scenarios for government-induced tax reduction for different social groups.

In February 1999, extensive lobbying by the electricity companies against the finance minister's allegedly 'ruinous' taxation levels (earmarked to pay for the step-by-step retreat from atomic energy) prepared the stage for the final act: the resignation of Lafontaine. Schröder's statement in a cabinet meeting on 8 March 1999 that he would be unwilling to take responsibility for a government working 'against' industry and commerce was interpreted by Lafontaine as a threat by the chancellor to resign, if he himself did not leave the government. In the event, the resignation to come was also triggered by Lafontaine's own awareness that the structural budget deficit would demand austerity measures and hence the exact opposite of what he himself had publicly sought in terms of redistribution.<sup>8</sup>

Following his resignation, the 'red-green' government installed a new finance minister, Hans Eichel (SPD), and readjusted its strategy. The new course was dominated by austerity measures in all parts of the budget in order to limit the 'structural budget deficit', defined for reasons of political convenience as amounting to DM 30 billion. The media immediately joined in the effort to present the austerity measures as 'social justice for future generations' and the uncharismatic Eichel was presented as 'honest Hans', moving away from the fringe beliefs of his predecessor. By the end of 1999, the government had put forward far reaching plans for future tax cuts without outlining how the consequent decrease in the state budget would be dealt with on the expenditure side.

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<sup>8</sup>For a chronology of Lafontaine's time in office, see *Spiegel* 40/1999, pp. 115-30.

The discussion of ‘grand ideas’ for the future of the world economy and about the conflict between Keynesianism and neo-liberalism died down immediately after Lafontaine’s resignation.

### FROM ‘MODERNISER’ TO ‘TRADITIONALIST’

Oskar Lafontaine’s short career in government underlines the changing agenda of social democracy in Europe. In order to understand why Lafontaine has fallen victim to the changing course of ‘modernisation’ one has to remember his political formation. His career in the SPD was a prime example for the *Modell Deutschland* debate of the 1970s. This model (later termed ‘Rhenish capitalism’) was characterised by strong corporatist intermarriage between SPD, state and trade unions, buttressed by a consensus-oriented style of decision-making. Such corporatist procedures were familiar territory for Lafontaine given his experience in the Saarland where he dealt with heavily state-dependent declining industries. His readiness to embrace the agenda of the 1980s and his attempt to forge a dialogue between the SPD and the ecological and peace movement made him a moderniser within the SPD at that time. However, he always remained close to a state-guided consensus model, and intended to make a social democratic state work under changing circumstances.

In the 1990s, by contrast, the consensus model itself started to be blamed for numerous shortcomings. It was challenged by contradictory interpretations of the globalisation process and the related claim that existing models of corporatist modernisation inside the nation-state were no longer viable. Modernisation was hence no longer understood as being primarily defined by the political system, but was seen as resulting from structural change in the economy. The role of politicians, therefore, was no longer to act as advocates of ‘grand ideas’ in order to reconcile industrial society and environmental concerns. Instead, their role became limited to the more modest function of mediating between the competing interests in society. Contrary to older social democratic models, a consensus could no longer be guaranteed and a split within the social democratic electorate between winners and losers of the modernisation process began to be taken for granted. Inside the SPD, Lafontaine and Schröder became the role models for the two conflicting types of politicians: on the one hand the advocate of ‘grand ideas’ (the ‘traditionalist’), on the other, the mediator who self-consciously limited himself to pragmatic political management inside the boundaries determined by others (the ‘moderniser’).<sup>9</sup>

### Das Herz schlägt links

How, then, has the “traditionalist” Lafontaine analysed his failure as a politician in government? Just in time for the Frankfurt book fair, the ‘private citizen’ Lafontaine reappeared in public to promote his account of events, entitled “*Das Herz schlägt links*.” The book is partly an account of the history of the SPD in the 1990s and partly an analysis of neo-liberalism. It concludes with a critique of the superficiality of media-driven political cultures and quotes with approval

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<sup>9</sup>In Britain’s case, John Lloyd has described this modesty as far as grand ideas in social democratic politics are concerned as the “lack of grand narratives” and as the “replacement of the political intellectual”. See “Intellectuals and New Labour”, *Prospect*, November 1999, pp. 22-7.

Jean Baudrillard's dictum that the political class has "lost its specific character."<sup>10</sup> Lafontaine certainly does not include himself here: he understands his chairmanship of the SPD as an attempt to redefine social democratic policy under the impact of globalisation. He argues that the perception of a social 'justice gap' (*Gerechtigkeitslücke*) in society determined the outcome of the 1998 German federal election. From his point of view, the new government of SPD and Green Party was asked by the electorate to break away from neo-liberalism. Lafontaine claims to have been at the forefront of a truly social democratic response to the neo-liberal challenge - in sharp contrast to Schröder and British Prime Minister Tony Blair and their 'new centre/third way' concept of compromising with it.

The book's main themes are a critique of flexible labour markets and the anarchy in financial markets. Lafontaine is keen to point out that freedom and flexibility do not coincide in the work place: "To be free one needs secure employment."<sup>11</sup> Social democracy, according to Lafontaine, should try not to accommodate increasing deregulation in the work place but should provide a political framework of re-regulation. Lafontaine insists that any project of re-regulation needs to focus on the operation of financial markets: "Social democratic policy-making will only be possible in the future if the operation of world financial markets is changed... I intended to use the office of German finance minister to support a reconstruction of world financial markets and to fight against financial speculation."<sup>12</sup> Basically, Lafontaine argues that there is an international debate about the re-regulation of financial markets and that his own political ideas should be judged in this wider context. Lafontaine asks many necessary questions without, however, providing any convincing answers.

## **POLITICS IN THE MARKET PLACE**

He claims, for instance, that the deregulation of the financial markets did not evolve 'naturally' in the market place, but was put forward as a pre-eminently *political* project in the 1980s. The Asian crisis and a number of spectacular crashes of American investment funds are taken as proof that political control is needed over markets. According to Lafontaine, private investors expect the international financial institutions (IMF, World Bank) to bail them out if something goes wrong and demand taxpayer's money in the final instance. He is eager to point out that the very same people otherwise argue against any regulatory state intervention in financial markets as a matter of principle. Lafontaine would like to see international financial institutions reformed and asks for a co-ordinated monetary and financial policy in order to stimulate growth, price stability and stable exchange rates. He quotes the 1994 report of an American commission under the chairmanship of the former head of the Federal Reserve Board, Paul Volcker, which recommended the global co-ordination of macro-economic strategies, the planning of growth and stability targets, the interna-

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<sup>10</sup>Lafontaine, *Das Herz schlägt links*, München 1999, p. 264.

<sup>11</sup>ibid., p. 271.

<sup>12</sup>ibid., p. 201, 134.

tional co-ordination of the economic cycle and, in general terms, a “Keynesian financial strategy.”<sup>13</sup>

However, Lafontaine is unable to explain why such recipes have been ignored in practical policy-making. His description of market instability and currency speculation certainly sounds familiar to every newspaper reader. But when it comes to answering these questions, Lafontaine can in effect only put forward a contemporary version of the old social democratic slogan of the ‘programming’ of capitalism, i.e. of a capitalism without crisis and of markets without losers.<sup>14</sup> Furthermore, many of Lafontaine’s claims lack coherence. This is clearly the case when he points out that the contemporary American economic policy of ‘easy money’ is much closer to his own ideas about demand stimulation than the policy of the European Central Bank. But is it really fair to attribute the contemporary American boom primarily to the Federal Reserve and even “Keynesianism”? If it is, Lafontaine is one of the very few who would explain it that way. It certainly does not account for the strength of neo-liberal discourse in the 1990s on both sides of the Atlantic. The same is true for his criticism of Tony Blair. On the one hand, Blair is described as a “media phenomenon” but Lafontaine claims at the same time that “Blair has delivered many neo-liberal speeches but has not put forward a neo-liberal policy.”<sup>15</sup> He even singles out Anthony Giddens for praise because of some remarks (in his tract *The Third Way*) about the need to defend redistribution as an essential part of the social democratic agenda.<sup>16</sup> Should one therefore account for the conflict within Europe’s social democrats as purely semantic while practical policy-making tends to converge towards a common agenda?

## SCHRÖDER-BLAIR JOINT PAPER

In fact, Lafontaine is keen to avoid hard choices between the ‘traditional’ and the ‘modernising’ narrative of social democracy. According to him, both narratives could still have been reconciled until the ‘Schröder-Blair joint paper’ was published in June 1999.<sup>17</sup> From Lafontaine’s point of view, the ‘joint paper’ (put

<sup>13</sup>ibid., pp. 199-220.

<sup>14</sup>Most social democratic parties in Europe developed their own one-nation based theory of the ‘programming’ of capitalism in order to integrate trade unions into state-guided ‘growth strategies’ and to ‘modernise’ societies. Such rhetoric reached its peak in the 1970s. Since then it has declined and is no longer part of the discourse of ‘new’ Labour in Britain and the ‘new centre’ SPD in Germany. It is still in use in France.

<sup>15</sup>Lafontaine, op. cit., p. 185.

<sup>16</sup> Lafontaine quotes with approval Giddens’s remark that “inheritance taxation should be high to make sure that not too many privileges can be handed down from one generation to the next” (op.cit., p. 304). He ignores, however, that Giddens is fully in tune in with Blair’s agenda of withdrawing welfare payments if recipients are not willing to take up low-paid jobs and that both praise ‘flexibility’ of the workforce as the most important resource of a modern economy, a claim with which Lafontaine would strongly disagree.

<sup>17</sup> See “Der Weg nach vorn für Europas Sozialdemokraten. Ein Vorschlag von Gerhard Schröder und Tony Blair vom 8. Juni 1999”, *Blätter für Deutsche und Internationale Politik*, 7/1999, pp. 887-96.

forward as a *de facto* manifesto for the European elections) constituted both a shift to the right, as well as a break with the wishes of the German electorate. However, Lafontaine's interpretation of the paper as 'fashionable talk' and as a bad summary of Giddens ignored an important fact: the paper did explain what Schröder and Blair wanted to place on the agenda. The paper proposed a "new supply-side agenda of the left" and argued for lower business taxes, active promotion of small and medium enterprises, labour market flexibility, reform of the "rigidity and over-regulation" and transformation of the welfare state from "a net of dependents to a springboard to self-responsibility."<sup>18</sup> While the paper was mostly ignored in the United Kingdom (and was in fact just another example of new Labour-speak), it had a certain resonance with the German public.

This was not so much due to what was said, but rather to what was omitted. The paper's language lacked the usual reassurance that the corporatist system of German governance would be maintained. It sounded much more like a paper of the German (market-) liberal FDP party.<sup>19</sup> From Lafontaine's point of view, the 'joint paper' split European social democrats into two camps: the French socialists who distanced themselves from it and the Schröder/Blair leadership.<sup>20</sup> Moreover, it is true that 'Lafontaine-speak' and the programmatic self-description of the French Socialists are not only close to each other, but coincide exactly.<sup>21</sup> What has to be asked, however, is to what extent the contradictory self-description of these 'two camps' is met by substantial differences in practical policy-making. Lafontaine stops short from asking if the debate is merely symbolic, and does not answer the question of why social democratic discourse has changed. In the end, his book turns into full-blown cultural criticism. He draws a parallel between the media-driven policy process - moving ever faster from one topic to another - and the fate of the flexible individual who is no longer able to establish relationships of trust with fellow citizens.<sup>22</sup>

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<sup>18</sup> *ibid.*

<sup>19</sup> The Liberals scored a point in putting forward the paper under their own party logo for approval in the Bundestag.

<sup>20</sup> In fact, there was little support for the joint paper by leading SPD figures. The comment by the social policy expert Rudolf Dressler was typical: he argued "this paper does not serve the manifestation of political intentions but rather its camouflage. Such dissimulation is obviously part of a strategy to avoid decisions about the political direction whenever possible" (a statement from 1999, as quoted in *FAZ*, 17 March 2000).

<sup>21</sup> Compare, for instance, the following with Lafontaine's position: "It is necessary and possible to regulate capitalism by using a anti-cyclical policy, the development of the social system, the preference of education and vocational training and the commitment towards an income policy", quoted from "Die gebändigte Modernität des Lionel Jospin, Eine Art Antwort auf das Schröder/Blair Papier/ Der Beitrag der Sozialistischen Partei Frankreichs zum Kongress der Sozialistischen Internationale in Paris", *Frankfurter Rundschau*, 28 October 1999. While the French manifesto reads like a chapter of Lafontaine's book, Lionel Jospin's article "Only on our terms", *Guardian*, 16 November 1999, reads like a summary.

<sup>22</sup> Under clear influence of Richard Sennet's book *The Corrosion of Character*, Lafontaine argues that "a job-hopper society in which many people have to live without social security and are forced to permanent job-related mobility is not a humane society" (op. cit., p. 272).

To sum it up, Lafontaine's account is by no means a rallying cry to form a 'Lafontaine movement' within the SPD; it is much more a personal memoir about what it was like to leave the stage of public life.

### A PARTY UNITED AGAINST ITS FORMER CHAIRMAN

Even more interesting than the book itself was the reaction it triggered inside SPD circles. Immediately after its publication, one leading SPD politician after another queued up to voice strong disappointment about Lafontaine's breach of party discipline. He was criticised for disclosing internal party business, for his attack on Schröder's lack of 'team spirit', and for his decision to resign from office because of his political disappointment about the course of the 'red-green' coalition instead of fighting his own corner.<sup>23</sup> Some of Lafontaine's former colleagues did not stop short from claiming that he was merely making money out of his book - a complaint which, at least when voiced by advocates of the 'new' business-friendly SPD, sounded rather odd.<sup>24</sup> The debate underlined the fact that most SPD politicians were keen to settle finally the question of party leadership, which had kept the 'Enkel' group busy throughout the 1990s. Schröder was asked to take over Lafontaine's position as party chairman and was duly elected at a special party conference in April 1999, although with little enthusiasm.

There are three stages to the impact of Lafontaine's book on his party. In the first stage (directly after the publication) Schröder was subjected to a couple of party meetings with the rank and file, which went badly for him. He was criticised less for his policies, and more for his image as a person who loved to wear expensive suits, and for his habit of smoking cigars in public. Lafontaine capitalised on widespread disappointment in the SPD and appeared on television to discuss his criticism of the party's course with other retired senior SPD members.<sup>25</sup> He felt vindicated by the poor showing of the SPD in a number of regional elections in which many former SPD voters had stayed at home.

In the second stage, Schröder readjusted his strategy by bringing some of his moderate critics into government and made symbolic concessions to the SPD-wing formerly associated with Lafontaine.<sup>26</sup> In the third stage, the debate focused on the 'newness' of the SPD and the extent to which the system of cor-

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<sup>23</sup> The media showed disappointment in losing their favourite target, Lafontaine, and invented the German term *Amtsflucht* (flight from office) to account for his unexpected resignation.

<sup>24</sup> A number of SPD politicians made it clear that they would not read the book *and* that they strongly disagreed with its content. Günter Grass asked Lafontaine to "shut up" and not to spend his time writing books but to concentrate more on wine consumption.

<sup>25</sup> During the TV appearance (10 October 1999), he specifically attacked Blair and the idea that a higher degree of labour flexibility would increase standards of living in the long run. He also stressed the poor condition of public services in Britain and asked the German public not to accept the "Anglo-American model". More people watched Lafontaine's appearance than had watched Schröder's appearance the week before on the same programme.

<sup>26</sup> The most prominent case is Reinhold Klimmt who had succeeded Lafontaine as premier of the Saarland and was brought into the cabinet as transport secretary after losing the regional elections there on 6 September 1999 against a CDU challenger.

poratist decision-making in Germany was still applied. At this point, Schröder was challenged suddenly by a practical problem. In November 1999, the building site contractor Philip Holzmann (one of the biggest German employers) was threatened with bankruptcy and the loss of 50,000 jobs after its financial backers claimed the company economically unviable. Schröder used the opportunity and assumed the role of crisis manager by making state credits available to rescue the company. The decision was celebrated at a meeting between the chancellor and Holzmann workers, where Schröder symbolically embraced a group in society who had traditionally voted SPD. While the Holzmann crisis occupied the headlines, the Lafontaine debate died down. At the same time, the rhetoric of the Schröder-Blair joint paper about the need to prevent the state from interfering in the economy evaporated. What the Holzmann affair underlined was the fact that a political culture of strongly-rooted corporatism such as the German one appears more solid than any programmatic declaration. Moreover, German and British political culture are too far apart to be able to bridge the distance with “joint papers”.

### **SCHRÖDER - ‘A RE-INCARNATION OF LAFONTAINE’?**

Apart from the symbolic value of the Holzmann ‘rescue’ for SPD self-consciousness, the international reactions to Schröder’s decision also proved interesting. While the German press was evenly split over Schröder’s decision to use state money to bail out a private company, the international press attacked him for “no longer speaking as a wannabe Blairite, but almost like a reincarnation of Mr Lafontaine.”<sup>27</sup> Hence, Lafontaine’s former role to be held responsible for the weakness of the Euro was now transferred to Schröder. Wim Duisenberg, president of the European Central Bank, singled him out for damaging Europe’s image as a “market-driven economy.”<sup>28</sup> Moreover, the special relationship between Blair and Schröder (if there ever was one) no longer features highly on the agenda, either. Schröder’s public criticism of the hostile take-over bid by the British telecommunications company Vodaphone for the German company Mannesman in December 1999 triggered British disapproval.<sup>29</sup> His parallel support for tax harmonisation in the EU had been voiced earlier by Lafontaine. This, however, does not make Schröder the reincarnation of his predecessor as SPD leader. It is certainly an oversimplifica-

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<sup>27</sup> I. Karacs, “A cold wind spoils Mr Schroeder’s new stance”, *The Independent*, 4 December 1999.

<sup>28</sup> *International Herald Tribune*, 4-5 December 1999. The same article points out that “rightly or wrongly, Mr Schroeder has reaped much of the blame for the single currency’s embarrassing plunge late Thursday below dollar parity – the unofficial benchmark of the euro – weakness.”

<sup>29</sup> Karacs (footnote 22) points out that in Schröder’s “guise of saviour of the German firm Mannesman from the clutches of Vodaphone, he has tilted against the windmills of Anglo-American capitalism. The message: takeovers are good when a German company gobbles up a foreign firm, but terrible the other way round – they damage society.” The weekly *Spiegel* 6/2000, pp. 78-82 argued after Vodaphone’s take-over of Mannesman on 4 February 2000 that this first successful take-over bid against the resistance of the management in German history “marks the end of Rheinisch capitalism.”

tion to believe that corporatist bargaining and state intervention in the economy could simply be wished away by political leaders following a changing policy fashion. Schröder's style of leadership has generally tended to avoid open conflict. At the same time, however, the main constituencies of German corporatism can no longer take it for granted that they will receive a 'fair' stake in the outcome of bargaining. In fact, the 'joint paper', with its claim to provide a "new supply-side agenda of the left", has not gone away as far as domestic policy-making is concerned. One has only to look at the reform of the German tax system ("*Steuerreform 2000*") as presented by Lafontaine's successor as finance minister, Hans Eichel. This reform has focused primarily on tax relief for business and its main beneficiaries have been German insurance companies and banks whose shares rose spectacularly in response to the plan.<sup>30</sup> Schröder and Eichel both claimed the tax concessions to business to be fiscally neutral and expect them to kick-start the German economy. Such a one-sided approach would not have been possible under the chairmanship of Lafontaine.

## CONCLUSION

Any characterisation of the discourse of the German SPD needs to stress its internal ambivalence. As in the writings of Antony Giddens, the SPD does in fact try to reconcile the social democratic and the neo-liberal narrative of modernity and intends to create its own national blend of reacting to the image of the global marketplace. If that process has – apart from Lafontaine's resignation – not resulted in stronger internal party conflict, it is due to the wholeheartedly pragmatic approach of the post-Lafontaine SPD leadership. The mediator Schröder and his team do no longer aspire to offer 'grand ideas' about how the world works. It is here that one can identify why Lafontaine lost his agenda-setting function as a 'modernising' politician. In contrast to his colleagues, he remained fond of the idea that social democracy, by its very history, had always encapsulated 'modernisation'. What distinguished him from Schröder was his refusal to depart from the idea that the function of politicians in society is not only to mediate but also to outline in what direction society *should* go.

The 'man of ideas' could not accept that the 1990s no longer provided him with issues, which enabled him to sustain his concept of the ecological and social modernisation of industrial societies. Lafontaine always portrayed such modernisation as building on the foundations of regulated and 'civilised' capitalism, as erected historically by his party. In his mind, the reconciliation of social democratic core values (incorporating traditions of the workers' movement and of industrial society) with ecological values (symbolising the critique of industrial society) was evidently the way forward to redefine "progress" against what he himself had called earlier "the dangerous potential of the modernisation process itself."<sup>31</sup> But modernisation *without adjectives* takes over more and more of

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<sup>30</sup> The shares of *Deutsche Bank* and of *Allianz Versicherung* nearly doubled their value in a matter of days in reaction to the Eichel plan, which will abolish taxation of banks and insurance companies if they decide to sell their cross shareholdings in other companies. This decision is expected to fundamentally change the composition of German businesses (until now often characterised by the intermarriage between banks and industry).

<sup>31</sup> See footnote 2.



social democratic discourse, and Oskar Lafontaine can only find some degree of satisfaction in the fact that he has become one of its most prominent victims.