

In Search of Social Democracy – Explaining the Politics and Policies of the Schröder Government 1998-2002¹

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Introduction

On September 22, 1998, the German Social Democratic Party (SPD) celebrated one of its biggest successes in national elections. For the first time in German history it established a left-of-centre government together with its coalition partner Alliance 90/The Greens. Partisans of both the social democrats and the Greens expected a remarkable policy shift, reflected in the catchword of the ‘red-green project’ (Egle, Ostheim, Zohlnhöfer 2003a, Negt 2002). Over time, the new government realised some noteworthy reforms in environmental policy and in fostering civil rights (Zohlnhöfer 2003:400). But the social democratic policy profile in the fiscal, social, and employment policy still remained vague.² During its first four years in office the SPD could rarely point out what an original social democratic policy was composed of. Its policy was supposed to be ‘better’, but not necessarily ‘different’ from the one of its predecessor, leaving open by which criteria both could be measured. This raises the question to what extent the policy of the SPD-led government can be called *social democratic*.

What are the possible criteria for measuring social democratic policy? The traditional elements of social democratic policy listed by Anthony Crosland (1956), such as political liberalism, mixed economy, welfare state, Keynesianism, and the believe in equality can serve as vantage points, but they still have to be differentiated with regard to their position as core values, basic claims, or policy instruments.³ Therefore, one should ask which basic claims the SPD pursued traditionally, which instruments it prefers, and to what extent one can state a continuity in doing so since 1998. Social justice must be considered as *the* core value (Meyer 2001, Merkel 2001, Thierse 2001) and the central point of social democratic ideology. Thus, the normative claim to social democratic fiscal, social, and labour market policy can be defined as follows:

- the traditional demand for redistribution of wealth;
- collectively organised, encompassed social protection;
- full employment.

These basic claims can be assigned different policy instruments (see table 1):

- Progressive taxation as well as high social transfers were aimed at redistributing income and wealth between different income groups;
- The goal of collective social protection has been formalized in the institutional forms of the welfare state, and in a high legal protection of workers and employees. Both instruments serve the purpose to protect the individual against the burdens of the market that are considered as socially unjust.⁴
- For an equal integration of all citizens into society social democracy expressed the aim of full employment. The instrument for achieving full employment was a policy mix composed of a Keynesian demand-side policy on the one hand and a set of supply-side instruments on the other.⁵

table 1: The traditional aims and instruments of social democracy

	Aims and claims	Instruments
Fiscal policy	Redistribution	Progressive tax policy Welfare benefits/transfers
Social policy	Collectively organised social protection (against the burdens of the market)	Welfare benefits Provision of (public) social services Regulation of the labour market
Labour market policy	Full employment	Keynesian economic policy with supply-side elements (esp. active labour market policy); Broad public sector

Since the end of the 1990s social democratic policy has been accompanied by a revisionistic debate in European social democracy (Merkel 2000) that tries to redefine the relation between basic values, aims, and instruments.⁶ Without going into details of this debate about the Third Way of social democracy (Cuperus & Kandel 1998, Cuperus, Duffek & Kandel 2001, Giddens 2001, Przeworski 2001, Schroeder 2001) one may observe the following shift: In labour market policy an orientation towards supply-side elements takes place (activating labour market policy, strengthening of education policy); in social policy the extent of the social protection level is discussed and the principle of rights and duties is strengthened, and in fiscal policy budget consolidation becomes a priority.

In order to ask whether and how the SPD eventually shifted away from traditional social democratic policy, we follow the analytical model of Peter Hall (1993). He distinguishes between the use of new political instruments while goals stay consistent and a shift in the hierarchy of goals. Thus, we seek to answer the question whether the SPD's policy still remains in the limits of traditional basic claims of social democracy, and if so, which instruments it adopts. Furthermore, we examine the possible reasons for adherence to traditional policy or a possible redefinition. And in case of stating a

change regarding the instruments, we will have to analyse whether this indirectly meant a shift in social democratic goals, even if this was not intended.

The SPD's uncertain policy concept at the beginning of government

It was not until 1989 that the SPD replaced the 'Bad Godesberg programme' of 1959. The new 'Berlin programme' was primarily an answer to the socio-political requests of the New Social Movements arising from the shift of value orientations towards post-materialism in the seventies. It was elaborated intensively throughout several years (for further details see Meyer 1999), but it was already outdated when it finally was adopted, since the Berlin wall had fallen only some days before. The economic challenges of globalisation and European integration were not treated in this programme, nor did it provide a description of the position of the left at the end of socialism. During the 1990s, the SPD gradually adapted new concepts in foreign and security policy to address the situation Germany was facing, but there was no further development of social and economic policy.

This stasis had at least two explanations: First, after their defeat in the first post-unification election in 1990, the SPD was too occupied with its leadership. Oskar Lafontaine, the unsuccessful candidate for chancellor, was not disposed to assume the party leadership until 1995, after Björn Engholm and Rudolf Scharping stepped down as party leaders. In the aftermath, Lafontaine tried to give the SPD a leftist profile. In his opinion, the economic discourse of the previous years had been 'voll neben der Sache' (totally missed the point) (Lafontaine 1999:48), given that it dealt predominantly with securing a pro-business programme and recommended the reduction of taxes. Lafontaine, in contrast, aspired to a shift from supply-side policy to a demand-driven one. He proposed linking monetary policy not only to monetary stability but also to promote employment (Lafontaine 1998, Lafontaine & Müller 1998). Scharping, who was the leader of the parliamentary party in the Bundestag and the actual leader of the opposition, did not support this course. Likewise, the prime minister of *Niedersachsen*, Gerhard Schröder, remained a rival of Lafontaine (and also of Scharping), both in terms of policy claims and of sheer power.⁷ Even though Schröder lost to Lafontaine in the candidature for party leadership in 1993 after Engholm had resigned, the party's hopes still lay on him because, unlike Lafontaine and Scharping, he performed well in front of media. This 'troika' was far away from forming a strategic unity for joint action.⁸ In fact, rivalry for party leadership and diverging programmatic convictions characterised their relations. Whereas Lafontaine could be put in a simplistic way as a leftist-Keynesianist,

Scharping belonged to the right wing of the party, and Schröder at that time featured as a programmatically flexible man.

Second, the SPD's rather diffuse programmatic profile can be explained by a particularity of German federalism and its impacts on party competition: The two main parties (SPD and CDU/CSU) are never confined to the role as opposition party solely but usually rule in the *Länder* and 'co-govern' via the Bundesrat. Therefore, incentives to improve electoral chances and to secure power through programmatic reflection and redefinition are diminished. This was experienced both by SPD and CDU in the past (Zohlnhöfer 2001:189 sqq.).

The party's rank and file broadly supported Oskar Lafontaine's leftist course since 1995. However, after Schröder's victory at the elections in *Niedersachsen* in spring 1998, Lafontaine had to cede the candidature for chancellorship to him. Given the programmatic contrariness between the leftist Lafontaine and the market-friendly Schröder, who was called 'Genosse der Bosse' (comrade of the bosses), they made a virtue out of necessity in the electoral campaign: The twofold top represented perfectly the two core concepts of the electoral campaign ('innovation and justice'). Whereas Lafontaine was mobilising the traditional electorate of the SPD with the topic of 'social justice', Schröder's profile as a moderniser appealed to disappointed CDU partisans and undecided voters (Forschungsgruppe Wahlen 1998; Roth 2001). The self-presentation as the party of the 'Neue Mitte' (new centre) proved to sell very well, even though there was no programmatic concept behind this term (Jun 2001, Ristau 2000).

But electoral success was paid for with programmatic fuzziness. Statements on economic and social policy in the SPD manifesto (SPD 1998) were characterised by a peculiar 'as well as'. The pre-eminent goal of the manifesto, the reduction of unemployment, was to be attained by a 'intelligent and pragmatic combination of supply-side and demand-driven policy'. To this end the reopening of the tripartistic 'Bündnis für Arbeit' (Alliance for Jobs) was planned. It was supposed to enable an 'employment-oriented collective bargaining policy' by involving both employers and trade unions. On the supply-side, reductions in corporation taxes and in social security contributions (financed through the introduction of the environmental tax) were to favour investments. Expenditure on education and science were to be doubled. On the demand-side, tax-reliefs for the lower income brackets and the raising of child benefits were to stimulate domestic demand. Fiscal policy was to be related to the business cycle. An employment- and qualification-programme was to address youth unemployment. At the same time, the SPD committed itself to 'strict budgetary discipline' and saw no scope for credit-financed economic programmes. The European Monetary Union was

embraced and it was even promised that the euro would become 'as hard as the D-Mark'. The SPD also promoted a European employment pact and the European coordination of fiscal and economic policy.

At the Leipzig party conference in 1998, Schröder specified the rather vague announcements of his party's manifesto concerning corporation taxation by saying that he was planning a standardised rate of 35 percent. This measure was intended to gain the confidence of business interests for an eventual change in government. Lafontaine, on the other side, emphasised the manifesto's originally social democratic measures in social and economic policy. However, these were not elaborated projects but rather election pledges with a highly symbolic character, as was the promise to recall some unpopular measures of the Kohl government: the SPD promised to raise the statutory sick pay to 100 percent again, reintroduce full dismissal protection, reform the so-called marginal employments and cancel the pension reform of the Kohl government that was blamed to be socially unjust. Furthermore, co-determination was to be improved.

2. The Policy of the Schröder government

How have these vague concepts been formalised through policy? Has this policy pursued the aforementioned traditional social democratic aims or not? These questions are answered by analysing the fiscal, the social, and the employment policy in the 14th legislative.⁹ The role of Alliance 90/The Greens, the small coalition partner, can be neglected because its profile in economic and social policy was still not decisive at the time of the government shift (Egle 2003).¹⁰ As a matter of fact, the SPD could introduce its positions in economic policy into the coalition agreement (SPD & Bündnis 90/Die Grünen 1998) without cutting back very much.

2.1 Fiscal policy

Besides the functional necessity to finance the national budget one can expect a social democratic government to pursue redistributive goals with its fiscal policy. Therefore, besides a mere presentation of the realised policy, one must ask which income groups have been favoured by the government's revenue and expenditure policy and which have to pay more.

According to the government, its first budget presented for the year 1999 and the tax reform that was already determined in the coalition agreement were basically aimed at closing the 'gap of justice' left by its predecessor government. This feat was to be achieved by an increase in expenditure of 6.8 percent and by a fiscal relief of employees and families. After sixteen

years of conservative government, in this case, the new coalition strove for a traditional social democratic policy shift. Moreover, it announced a macro-economic concertation of fiscal, monetary, and wage policy, turning away from the supply-side policy of the Kohl-government (BMF 1999:5-6).

The tax reform presented by the minister of finance, Oskar Lafontaine, embraced the following measures: the bottom statutory tax rate of the income tax was to be reduced in three steps to 19,9 percent (down from 25,9 percent) and the top statutory tax rate was to be lowered in two steps to 48,5 percent (1998: 53 percent). The bracket for the top statutory tax rate was lowered to an annual income of 108.000 DM. At the same time, the basic tax-free allowance was increased to approx. 14.000 DM, the child allowances were raised in two steps (of a total of 40 DM) to 260 DM, and the benefit of the joint taxation for married couples was restricted to a maximum of 8.000 DM. As a consequence, the tax burden decreased and the purchasing power grew for lower and medium incomes, but not for the higher incomes (SVR 1998:222). Concerning corporation taxation, the tax reform comprised a reduction of the corporation tax rate on profits from 45 to 40 percent and a reduction of the top entrepreneurial tax rate to 43 percent. The corporation tax cut was legitimised by the argument that high nominal tax rates were 'psychologically very important' for trans-national companies even if the average taxation is low. Therefore, the corporation tax was to be reduced to an internationally comparable level (BT-Drs. 14/23:126). At the same time, the government announced a uniform corporation tax rate of 35 percent without regarding its legal status. The income losses caused by the reduction of tax revenues were absorbed by abolishing several exceptions and subsidies and by broadening the tax base. These burdens were mostly borne by companies (SVR 1999:159). Altogether the government strove for a net tax relief of 15 billions DM, but that was to be realised only in 2002. In terms of redistribution this reform can be considered as traditionally social democratic.

Another important step was the introduction of an ecological tax reform. Both coalition partners considered this reform as a central fiscal instrument to advance their environmental agenda and to reduce non-wage labour costs. Therefore, the government introduced an energy tax and raised the fuel tax gradually, assigning exceptions for regenerative energy, public transportation, and highly energy-demanding industry in order not to discriminate the industry in the international competition. The attempt to harmonise the energy tax on the European level during the German presidency of the European Council failed (BMF 2000:85). After the SPD's re-election in 2002 the (tax) benefits have been lessened. The revenues of the ecological tax were almost exclusively used to lower the pension contribution rate from 20.3 percent in

1998 to 19.1 percent in 2001.¹¹ Whereas both employees and employers benefit similarly from reducing the pension contribution rate, parts of the industry even have gained a net relief through the exceptions of the ecological tax.¹² Thus, private households have to bear the main burden. This especially affects persons who do not benefit from the reduction of the pension contribution rate such as non-insured public servants and self-employed, but also pensioners, students, unemployed, and welfare recipients. In terms of redistribution, the ecological tax corresponds only to a certain extent to social democratic aims.¹³ However, non wage labour costs have been relieved with the incomes of the ecological tax in order to achieve a positive employment effect. The German institute for economic research (DIW) forecasted an increase of employment of up to 250.000 jobs until the year 2010 due to the ecological tax reform (Bach et al. 2001, SRU 2000:227).

The employers organizations vehemently protested against the aforementioned tax reform as well as against other measures that charged the economy. Oskar Lafontaine resigned from all his offices after chancellor Schröder had declared in a cabinet meeting in March 1999 that a country could not be led against the companies and he was not willing to make a policy against business (Lafontaine 1999:222). This personnel shift at the top of the ministry of finance and the party was followed by an obvious policy shift.¹⁴ The new minister of finance, Hans Eichel, first suggested an austerity package of about €15 billion forcing all resorts to save 7.4 percent of their expenses (in comparison to the 1999 budget bill). However, this austerity programme, calling approximately off the increase of the 1999 budget planned by Lafontaine, also included single increasing expenses (e.g. the increase of the housing and child allowance). The most extensive savings had been made by cutbacks within the welfare system, such as the abolition of the so-called original unemployment benefit.¹⁵ Moreover, the tax base of social security contributions for recipients of unemployment benefits had been adapted so that the pension claims of the concerned decreased. All this provoked the left wing of the SPD, which criticised these savings as 'socially unjust' and 'neoliberal'. In addition, Eichel declared that he would make the consolidation of the budget a top priority and aimed at achieving a balanced budget until 2006. Thus the government refrained from the demand-side policy envisaged by Lafontaine not only verbally but also in practice. In summer 2001 the government could demonstrate the sincerity of this shift: The 'windfall profits' of about €50 billion that the government obtained by selling UMTS-licenses were used completely to redeem the debts. Only the interest savings of about €2.5 billion annually resulting from the debt redemption was invested in a 'future investment programme' for measures in infrastructure (mainly in the sector of transportation, research, and education).

In spite of many protests within the SPD, the government stuck to its orthodox fiscal policy and presented a new tax reform that leftist critics considered as a turning away from social democratic principles and as an adaptation to 'shareholder-capitalism' (e.g. Hickel 2000). Redistribution did not take priority any more but the strengthening of the competitiveness of the economy. This was to be achieved by reducing the taxation of public companies (reduction of the corporation tax to 35 percent for retained and distributed profits). Business partnerships can thus assess themselves under the fiscal law like public companies. Profits from sales of domestic public companies were exempted from taxes in order to facilitate the dissolving of the '*Deutschland AG*'. Finally, the government reduced the bottom statutory tax rate of income tax to 15 percent and, under the influence of the Bundesrat (see below), the top statutory tax rate to 42 percent. This tax reform corresponds in major parts to the one planned under the Kohl-government in 1997 that failed at that time because of the SPD-dominated Bundesrat (Zohlh ofer 2003a: 201sq.). According to the ministry of finance, the tax reform comprised as of 2005 (beginning of the last step of the tax reform) an annual net relief of €56 billion compared to 1998. Whereas private households are relieved by a volume of €41 billion and SMEs of €16.7 billion, big companies are charged by €1.7 billion (BMF 2002:49-50). Although lower incomes benefit from the reduction of the income tax rate this tax reform mainly relieved public companies and recipients of high incomes. The same is true for the introduction of the Halbeink ufteverfahren (half income taxation method for certain dividends and speculation gains) in capital gains taxation, which benefits shareholders with higher incomes. In 2001 and 2002, the tax reform and the economic downturn forced revenues to fall much more than the government had expected, so that the budget deficit of 2002 rose to 3.7 percent of the GDP. The revenues from the corporation tax broke totally down and even became negative.¹⁶ The aim of a balanced budget by 2006 moved far away, but the government still seeks to pursue a policy of budget consolidation.

Considering some outcome indicators (see table 2), the tax reform 2000 can barely be called social democratic since it does not correspond in form and effect to the principle of redistribution: The revenue from direct taxes decreased since 2001, whereas the revenue from consumption taxes and the social contributions rose. Such a shift causes a regressive effect of distribution because progressive direct taxes mainly charge high incomes whereas indirect taxes and social contributions charge proportionally all classes.

table 2: Public Revenues (federal state, states, communities, and social insurances)

	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002
	in billions €					shift from previous year (per cent)				
revenues (total)	901,4	935,3	953,6	943,0	948,0	+3,0	+6,8	+1,9	-1,1	+0,5
Thereof										
direct taxes		237,2	254,0	229,9	225,0		+6,8	+7,1	-9,5	-2,2
indirect taxes		241,5	244,5	246,3	249,8		+7,9	+1,2	+0,8	+1,4
social contributions	373,0	375,7	378,5	383,6	390,2	+1,1	+1,0	+0,8	+1,3	+1,7

Source: Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung, Jahresgutachten, several issues, Bonn/Berlin. Note: Data for 2000 without UMTS-revenues (50,8 billion €), data for 2002 are estimations.

2.2 Social policy

Expanding social protection is one of the major social democratic claims of social policy, generally through the use of transfer payments. In the following chapter we examine whether the government pursued these principles in its pension and health policy.

As with fiscal policy, the government first fulfilled its election pledges through policies that can be characterised as ‘traditionally social democratic’: It called off the pension reform of the Kohl-government, which – as an answer to the demographic shift – would have reduced the standard pensioner net replacement ratio from 70 to 64 percent. In addition, the Schröder government reduced patients’ fees for medicines, reinstated payments for dental prostheses for people born after 1978 to the service offerings of statutory health insurance, and abolished the so-called Krankenhausnotopfer (a special subsidiary for hospitals).

In the following years, there were no further noteworthy reforms in health policy. Even the planned budget for limiting health expenditures could not be enforced because of the opposition of the Bundesrat. The attempt to reduce expenditures for medicine failed as well. The planned Positivliste (list of effective pharmaceuticals) was not compiled, and the sectoral budget for pharmaceuticals was abolished after two years.¹⁷ The reform of the Risikostrukturausgleich (risk-sharing fund) between the different health insurances reduced the few competitive elements within the German health system. Altogether the patients’ precaution and the logic of competition have been rejected. From a social democratic perspective, this may be desirable. Major parts of the SPD and the labour unions indeed defend the health system financed ‘in solidarity’ as a big social achievement.¹⁸ But the refusal to reform health policy impeded both a solution of the structural financing problem and an improvement of the poor efficiency in the German health system. Moreover, the government did not manage to keep health insurance

contributions as percentage of pay steady. Rising health-care costs contributed to an increase in non-wage labour costs.

In pension policy, the government deviated astonishingly from the social democratic path. The pension reform in 2000 was aimed at restricting the rise of pension contributions and reducing the negative employment effects of the non-wage labour costs. The reform was divided into two laws because the Bundesrat had to approve parts of it. Whereas the government could pass its proposal for lowering of the statutory pension rate and other measures without the Bundesrat, it needed the upper house's consent for the introduction of the capital-funded supplement pension (the so called Riestert-Rente).¹⁹ After a decision-making process, which took much more than a year, the government decided a new pension formula. According to this reform, the pension replacement rate is to decline to 64 percent in 2030, just as in the revoked reform of the previous government. The net pension rate was redefined at the same time to only approx. 67-68 percent. In case it falls further (or under 64 percent pursuant to the previous calculations) the government has to submit measures to the legislators to prevent this drop. This passage was introduced under pressure from the unions. According to the new formula, pensioners benefit less than before from rising net wages, e.g. from reducing the income taxes. The reduction of the statutory pension is to be compensated by the creation of a capital-funded supplementary pension. The government had first planned to make this measure obligatory but then refrained from doing so. It now supports the voluntary supplementary benefits with a bonus. In this bonus-system, only persons who will save at least 4 percent of their net wages for capital investments from 2008 on will get the maximum aid. Persons who do not raise money for the supplementary pension themselves will not receive any aid. Further benefits are possible for children. Expenses for capital investment are tax-deductible. These tax savings can notably exceed the government aid. Company pensions are more generously supported than private insurance policies.²⁰

In terms of equal social protection, this reform cannot be considered as traditional social democratic, because it increases social inequality among pensioners (Kohl 2001). Low-income earners can save funds for retirement provisions only to a certain extent, whereas high-income earners are better able to afford this.²¹ Moreover, wealthy pensioners benefit more from the tax savings whereas low-income earners with a low marginal tax rate can use the tax advantage barely or not at all. That is why the left wing of the SPD and the unions vehemently protested against the reform. Furthermore, the capital-funded supplementary benefits have to be financed by the employee, whereas the contributions for the statutory pension insurance are equally paid by employer and employee. The adaption of the pension system to the

demographic shift has certainly been necessary, but the burdens now are solely borne by the employees. Compared with the revoked reform of the Kohl-government, the SPD-reform favours younger generations and those pensioners who have raised children (Fehr & Jess 2001).

2.3 Labour market policy

Chancellor Schröder highlighted his labour market and employment policy as the area to measure his success. At the start of his term, he would decrease the number of unemployed from 4 million to 3.5 million in four years. During the election campaign the SPD clearly refused to advocate labour-market deregulation. Oskar Lafontaine in particular wanted to face the German employment problem in macro-economic terms by an expansive fiscal policy and the easing of European monetary policy. The new government initially kept the SPD's election pledges that corresponded to a traditional social democratic profile. Apart from the measures already mentioned, these were the following election pledges:

- A revised regulation of dismissal protection: The threshold up to which companies are not subject to statutory dismissal protection was lowered from ten to five employees again.
- The reestablishment of full continuation of sick pay: By lowering sick pay to 80 percent in 1996, the Kohl government revived charges of class warfare that were thought to have been history (Schmidt 2003:242).
- The possibility to force employers who are not bound to collective labour agreements (for example, foreign employers) to comply nevertheless with the labour conditions laid down in these agreements.
- The inclusion of the so called 'apparent self-employed' into the pension insurance system and of marginally employed (the so-called 630-DM-Jobs) into the social insurance.

These revisions also included some new measures against youth unemployment, involving different qualification and employment programmes, grants for labour costs, and support services for young job-seekers. Until 2001, about 400.000 young people participated in the programme (for further evaluation: Dietrich 2001). Since the reestablishment of previous dismissal protection affected only 5 percent of workforce and sick pay remained 100 percent in almost all cases because of collective bargaining agreements (Seeleib-Kaiser 2002a:18), these measures had a mainly symbolical character. This is not the case with the inclusion of the apparent self-employed and marginally employed into the system of social insurance. Both the affected and employers offered strong resistance, since this meant the end of one of

the few flexibilities in the German labour market. All in all, these measures underscored the SPD's traditionally social democratic aim at protecting jobs that respect standard labour contracts and social-insurance contribution practise. The other aim was to solve the financing problem of the social insurance system by increasing the revenues without curtailing the benefits. A certainly intended side-effect of these reforms was that many of the marginally employed were statistically registered for the first time in the course of their inclusion into social insurance, producing a nominal increase of employment (Hickel 2001:485).

But then, the government nearly stopped its labour market activities. All attempts to reform the labour market broadly failed in the labyrinth of bargaining in the three-way Alliance for Jobs (Blancke & Schmid 2003:223sq.). For example, trade unions and the unionist wing of the SPD blocked all considerations on promoting a low-wage-sector, a proposal of the modernisers within the SPD. In fall 2000, unemployment was at its lowest level in five years and the goal of 3.5 million unemployed seemed to have come into reach, so the pressure on government to act decreased. This improvement and the still unclear position of the SPD impeded further reforms. With the reform of the Betriebsverfassungsgesetz (workers council constitutions act), the government once again favoured its union-clientele without demanding its approval for unpopular reforms in return.²² Thus the Alliance for Jobs could not be used for organising a trade-off among the government, employers, and labour to finally overcome the institutional blockade against reforms (on the failure of the Alliance for Jobs see Hassel 2001, Heinze 2003).

With the Job-AQTIV-act in 2001, however, reforms were undertaken more eagerly. The bill's intention was to strengthen active measures against unemployment by reforming and intensifying job placement. This act allows using active labour market policy in an earlier stage and even in a preventive sense. The principle of '*Fordern und Fördern*' (demanding and assisting) was implemented through the so-called 'profiling' of the unemployed and through individually negotiated activation contracts between job-seekers and job centres. These activating measures are seen by some observers as a shift to supply-side policy (Blancke & Schmid 2003:226). The SPD thereby partly realised a policy that is debated by European social democrats under the topic of employability. Since the Job-AQTIV-act came into force only in 2002, however, its effectiveness cannot yet be evaluated. But implementation has proven to be difficult, especially since the Federal Audit Office revealed several mistakes in the Federal Employment Office's placement statistics, on which the law was (also) based.

The worse the government's labour market balance became (4 million unemployed at the turn of the year 2001/02), and the closer the 2002 elec-

tion came, the more activism increased. In March 2002, a commission of experts (the Hartz-commission) was established to formulate proposals for a fundamental reform of job placement.²³ In summer 2002, the commission finally presented a general draft for the reform of the German labour market. Some of these suggestions were realised – even though in an alleviated way – immediately after the 2002 election. One of the measures was to cancel the above-mentioned regulations concerning the apparent self-employment and the marginal employment. They had fallen out of favour as to inflexible.

But all in all, labour market policy was mainly characterised by indecision. The left wing of the SPD justified its blockade of reforms by appealing to social democratic principles concerning the protection of the employed against the impositions of the market. But another interpretation could be as follows: It is rather the unionist wing of the SPD that inhibits the social democratic aim of full employment, because it is defending a highly regulated labour market that is socially fair and just, thereby systematically ignoring the employment-inhibiting consequences of regulated labour markets that constitute a high number of ‘outsiders’. In terms of social justice, there is no reason why it should be called fair and just that unemployed ‘outsiders’ are excluded systematically from the labour market (Merkel 2003:181sq.).

2.4 Conclusion

In sum: all three examined policies initially followed a traditional social democratic path. This is true for both the first budget and the tax reform under Lafontaine and the revisions in the social and labour market policies of the predecessor government. But the subsequent fiscal policy presented by Hans Eichel, the pension reform, and the beginning of the labour market reforms generated by the Hartz-commission followed a supply side logic, against which Lafontaine had campaigned fiercely when he was still chairman of the party. Thus the SPD’s policy was highly inconsistent. There was no obvious coherent concept behind it. That said, the chancellor and the ‘modernisers’ within the SPD were aware of the employment-inhibiting effects of the German fiscal and social system and aimed to reorganise it. The following chapter explains why they partially succeeded and why other reforms failed right at the beginning. It also aims to systematise some approaches at explanation for this erratic policy.

Explaining the policy of the SPD

The policy of the Schröder government can be explained by specific national context factors of the German political system. These are:

- the intra-party debates within the SPD;
- the irrelevance of the small coalition partner in the three policy areas;
- the potential to veto of the unions;
- the ‘timing’ of special issues and problems;
- the party competition with the opposition;
- the imperative to come to an agreement with the Bundesrat.

a) Intra-party debates within the SPD

Electoral-professional parties (Panebianco 1998) normally come into conflict between vote- and policy seeking interests (Müller & Strøm 1999; Wolinetz 2002), and the SPD is no exception. Moreover, the relationship between principles, aims, and instruments as vantage points of its policy-seeking has been unclear within the SPD. In 1998, there was no coherent perception of the aims and instruments for the fiscal, employment, and social policy within the SPD and its leadership. A possible policy-mix was also controversial. This confusion did not only happen because the government was programmatically and conceptually unprepared for governing (Stöss & Niedermayer 2000:5), but also because two relatively incompatible concepts were confronting each other. Although the election campaign slogan ‘Innovation and Justice’ and the programme behind it were qualified for mobilizing the heterogeneous SPD electorate, they postponed the debate on the actual policy orientation until after the election (Egle & Henkes 2003:74sq.). The involved actors, especially the different wings of the SPD, had different – sometimes diametrically opposed – perceptions of how to proceed in government.

Although party members often rejected labelling the two SPD wings with the fuzzy catch words ‘modernisers’ and ‘traditionalists’ (e.g. Thierse 2000, Dressler, Junker & Mikfeld 1999), these terms do describe different seizeable policy conceptions (Padgett 1994:27 sq.) and help identify the actors. In other words, the modernisers pursued a fiscal policy of consolidation whereas the traditionalists strove for a policy of redistribution by means such as a wealth tax and a high top marginal rate. In social and employment policy, the modernisers mainly focused on supply-side instruments and structural reforms to abolish possible employment restraints. The traditionalists, on the other side, emphasised the protectional function of the welfare state and thereby entered in a veto alliance with the unions.²⁴ This difference

was intensified by the personal conflict between the exponents of the two wings, the chancellor and his party chief and finance minister Oskar Lafontaine.

The first tax reform and the accompanying *Korrekturgesetze* (revision laws) reflect the economic outlook of Lafontaine who emphasised an extension of domestic demand and a redistribution to lower income classes. This policy largely corresponded with the principles of the left and traditionalist wing of the party. Because of the strong position of the finance minister within the cabinet, it could be enforced notwithstanding open protests by the modernisers in the party (Zohlnhöfer 2003a). This conflict first centred on the fiscal policy. The counterproductive tensions between Schröder and Lafontaine were only resolved by Lafontaine's (partly provoked) sudden resignation. The reasons for such a radical step, which changed the SPD policy strongly and weakened the left wing sustainably, are highly speculative.²⁵ Besides Lafontaine's rivalry with the chancellor, two main factors can explain this. First, Lafontaine was not successful in convincing the EU-partners of a European pact for economic, employment, and monetary policy. Second, he had been permanently attacked by the media both in Germany and abroad. The period of Lafontaine's dominance came to an end, and the modernisers within the party got the chance to pursue their ideas.²⁶ In the fiscal policy, the policy shift became especially obvious since Hans Eichel put the emphasis on consolidation. The left and unionist wing criticised this paradigm shift vehemently. After Schröder became chairman of the party, he had to reduce his profile as a moderniser in order to squelch intra-party divisions. The SPD leaders could not allow themselves further conflicts. He therefore did not initiate further contested structural reforms in the areas of social and employment policy.

From a German perspective, the Schröder-Blair-paper published shortly before the European elections in 1999 can be considered as an attempt at a programmatic repositioning. After its publication, it became apparent that the left wing was still a relevant minority in the party, despite the lack of a leader. The left wing denounced in many statements, which were willingly quoted by the media, both the policy of their own government and the programmatic ideas of that paper as 'destruction of social democratic identity'. Since this paper broke with a number of traditional principles, many feared a general revision of social democratic values.²⁷ Since it is important for the identity of any social democratic party to exhibit continuity with former attributions, that critique had to be channelled in a newly defined identification with social justice. The decision of the party congress in 1999 to revise and re-formulate the party programme while maintaining the basic values was accompanied by various motions of federal party subdivisions and

innerparty committees. They all criticised the Schröder-Blair-paper and warned of a degrading of social democratic aims and values. If it is true that the SPD is elected because of its assumed core competence in the area of social protection (Eith & Mielke 2000), then a modernisation of these aims and instruments implies an electoral risk. The incentive for revising several policy areas at the same time is low. To abandon the traditionally social democratic aim of redistribution in favour of budget consolidation was therefore only possible against protest (which is still vehement, as seen in the constant debates about the wealth tax). This absorbed the party's and government's fervour to reform and thereby inhibited further structural reforms in other policy areas.

b) The irrelevance of the coalition partner in the three policy areas

Generally speaking, a coalition with a coalition-partner situated on the left of social democracy should pursue a policy aligned with traditionally social democratic positions. This factor, however, does not explain policy outcomes in the case of the red-green government, because in the analysed policy areas the Greens have a more liberal than a left profile – even though political scientists often classified them being on the left of the SPD (Budge et al. 2001, Huber & Inglehart 1995). The Green's parliamentary party repeatedly announced that it would support further steps of liberalisation. They were more sympathetic to a policy shift towards budget consolidation than large parts of the SPD.²⁸ But their influence on liberalisation was minimised because the Greens could not highlight these issues. The coalition partner did not hold relevant positions in cabinet and left these policy areas mostly to the SPD.²⁹ Furthermore, the Greens were involved in coalition conflicts on issues that were more important for themselves, such as the reform of nationality law and immigration policy, as well as foreign policy and phasing out nuclear energy. A conflict on labour market and social policy was therefore unnecessary and undesirable for both coalition partners. All these factors prevented the small coalition partner from restricting social democratic policy in the three analysed policy areas. The Greens therefore did not challenge effectively the traditional alignment of the SPD in the social and employment policy.

c) The veto potential of the unions

If the modernisers really had intended to realise their ideas, they would have risked not only a conflict with the weakened left of the party but also with the unions. Because the latter are closely interwoven with the SPD in terms of personnel and played a major role in mobilising voters during the electoral campaign 1998 (as well as 2002), they can be considered as important infor-

mal veto players for the SPD, if not veto players in a formal sense (Tsebelis 1995:302). To withdraw the fiscal tightenings of the predecessor government was an election pledge just for this core constituency. For a social democratic policy shift, however, it would have been necessary to integrate the unions in the Alliance for Jobs. The conditions for success in such a broad barter deal were hardly fulfilled. The government could not spend the 'shade of hierarchy' (Hassel 2000 & 2001, Jochem & Siegel 1999) because it had already redeemed all its bargaining objects at the beginning of the legislative period. Furthermore, it could not plausibly threaten to enforce reforms single-handedly and thereby intervene in the process of collective bargaining. Because of the structure of the German trade unionism, unionists do not have any incentive for substantial compromises that primarily apply to labour market insiders.³⁰ The strong single unions in the industrial and public sector (especially IG Metall and ver.di) can promote their specific sector interests on their own and without the weak umbrella association (DGB). Because of their member structure, which enjoys highly protected work contracts, these unions mostly take the interests of insiders into account. The acceptance for changes in the social system and easings of the dismissal protection is very low. They also confront the SPD publicly with this position.³¹ So, the government had to make broad compromises³² to introduce a private retirement pension supplement and loosen financing parity, in order to prevent a public conflict in the social democratic core area of social justice.

One could argue that the target group of the SPD – the whole electorate – and the target group of the unions – primarily employed men – differ, so it was therefore difficult to find a common concept for the employment policy. The unions try to prevent more flexible policies from being passed, which mainly demands concessions from the insiders. This is reinforced if the government pursues at the same time a policy of budget consolidation, which does not take into account the unionists' interests of redistribution for the benefit of their clientele. In sum, the SPD had to take into account a high veto-potential of the unions, which is backed by the constitutional principle of free collective bargaining, encompassing collective contracts, the joint administration of the social insurance, and a high degree of workers' participation that can hardly be challenged – neither by the SPD nor the opposition.

d) The 'timing' of special issues and problems

A revision of the traditional claims and the application of new pro-market instruments in all three policies would have intensified the conflict within the SPD and with the trade unions. However, the energies for conflict moderation of the party and the government were already exhausted in other

fields, and the agenda was already quite crowded. The military missions abroad that the red-green government bucked led to massive pressures not only within the Greens but also within the SPD.³³ It is often overlooked that the 2001 vote in parliament on the Macedonia-mission did not fail the coalition's majority because of the 'NOs' of the Greens, but also because 19 deputies of the SPD voted against their government (PIPr. 14/184:18226). At the vote concerning the Afghanistan-mission that was linked to the vote of confidence for Schröder, it was initially expected that there would be about 30 SPD-deputies willing to vote against.³⁴ For a considerable part of the SPD, both partisans and members of the parliamentary party, a peace-oriented foreign policy represents an essential aspect of the party's identity.

On the one hand, the government aimed at demonstrating to its NATO allies reliability in foreign policy. On the other hand, it had to moderate the conflict within its own parties. The protest mainly raised at party conferences and in different papers, remained a significant source of dispute within the party. It may be assumed that the government did not want to provoke an additional conflict within the SPD besides the already existing ones, especially as this would have concerned some crucial topics of the party (Merkel 2003:182). Furthermore, the debate about a new citizenship law and the controversy about an immigration law at the beginning of 1999 dominated the agenda. These projects, which were crucial for the green coalition partner, had an impact most notably upon the potential for conflicts between the SPD and its electorate. Even though in the heterogeneous electorate of the SPD there is a large part that applauds such reforms, huge parts of the rather materialistic-authoritarian core and floating voters clearly reject these projects (Hilmer 2001). The SPD leaders always have to be anxious to maintain both programmatic and political balance. After the 1999 defeat in the elections in Hessen because of these issues, many SPD-leaders feared that conflicts about reforms in social and employment policy that could be seen as socially unjust would have aggravated the cohesion in the party.

Another detail fostering the inactive attitude of the government after 1999 was the economic upswing in 1999 and through 2000, which helped advance the party's self-imposed goal to reduce the number of unemployed to 3.5 million without greater structural reforms. It seemed that problems in the labour market would decrease, so the incentive for taking unpopular measures immediately after having ridden out of the above-mentioned conflicts diminished. With the CDU opposition, weakened as a consequence of its electoral funds affair, the SPD could hope to be rewarded by the voters simply through inactivity. Throughout the first three years, this sequence of events prevented major policy shifts concerning social and employment pol-

icy. In fact, the maintenance of traditional social democratic concepts was a policy of conflict avoidance, because the coalition was already shaken by the conflicts concerning fiscal, foreign, and immigration policy. When business cycle stalled in late 2000, all opportunities for the government to initiate reforms had passed, and it could not do anything more than wait for opportunistic windows of opportunity. For example, the SPD took advantage of the scandal regarding the Bundesversicherungsanstalt für Arbeit (Federal Employment Office) to circumvent traditional veto players with the Hartz-commission. In January/February 2002 it became public that the job placement reports of the Federal Employment Office were largely based on incorrect data, and some of them were significantly adulterated. The resulting public indignation represented the situative opportunity to initiate reforms of the labour market, without any organised resistance. This public pressure also overcame the party competition that normally would have inhibited the SPD's deviance from traditional concepts.

e) Party competition with the opposition

In contrast to the British Labour Party, the SPD acts under conditions of party competition that make it particularly difficult to abandon traditional expressions of social justice (Kitschelt 2001:285sq.). For the SPD, a policy of budget consolidation through reductions in welfare spending is particularly risky, because such reductions are extremely unpopular in Germany (Harlen 2002:68sq.). Even Christian Democrats consider a comprehensive welfare state an indispensable element of democracy; contrary to other European conservatives, they are clearly welfare-oriented (Schmidt 1998:168, 227). In 1999, evidence of a second welfare state party was especially strong: The decision to raise the pensions in 1999 by only the inflation rate rather than the rate of arising net wages (as before) was attacked by the opposition as unsocial and became a subject of broad campaigns. In public statements of the CDU, the SPD was reproached for the missing 'social balance' of their policy and their non-existent social democratic identity (i.e., the interview with Edmund Stoiber in: *Der Spiegel* 29/1999:26sq.). Due to the permanent electoral campaigns as a consequence of the elections for the Landtage (parliaments of the states) and the broad acceptance of welfare benefits, budget consolidation financed by welfare cuts seemed only possible by accepting electoral losses, especially if the opposition was successful in introducing this topic into electoral campaigns. In fact, the SPD had to take substantial losses in the elections for Landtage in the second half of 1999. After these defeats, a weakened SPD was no longer in a good position to push through radical reforms. Hence, the government avoided further reductions and particularly reforms in the other two policy areas.

f) The need for consent with the Bundesrat (Federal Council)

As a consequence of German federalism, which invites the participation of the Länder governments in major legislative projects, party competition continues in the Bundesrat (Lehmbruch 2000). In the case of the first tax reform, the coalition was still able to adopt the bill with their SPD majority in the Bundesrat. But as early as Spring 1999 it lost this majority after the elections in Hessen. Until April 2002, when after the elections in Sachsen-Anhalt the CDU-opposition secured the 35 votes necessary for the majority in the Bundesrat, the government had to rely on getting the votes of the neutral *Länder*.³⁵ This meant that it was necessary either to make substantive advances to the parties of these coalitions or to 'buy' their votes with attractive side-payments for the respective *Land*. The latter procedure was adopted in the tax reform in 2000, when it became clear that the opposition would consider the government's concessions in the mediation process as too little and refuse approval because of its power positioning strategies. The red-green government circumvented this veto-player by conceding financial allowances to the *Länder* with grand coalitions, which finally approved the reform. The pension reform consensus with the opposition was possible after major concessions on the part of the government. Through this institutional need for consent, the social democratic profile of the policy was attenuated. The dilution of traditional goals of redistribution in fiscal policy – independent from programmatic reorientation within the SPD itself – was thus partly due to the pressure that was created by the partners in the governments of the Länder whose policy was more market friendly (CDU or FDP). This is particularly true for the top marginal tax rate for income taxes.

4. Conclusion

Since the founding of the first social democratic parties in the 19th century, they have constantly undergone a process of programmatic revision, adapting their aims and instruments to the changing external conditions. Not every shift can be considered as a betrayal of social democratic principles, since parties as learning organisations rely on re-defining 'social democratic' policy and possibilities to realise it. Maintaining traditional ideas without any hope of realisation would be a sectarian policy diametrically opposed to the aim of social justice. So, to what extent the policy of the Schröder-led government was social democratic during the legislative period 1998-2002? As we pointed out, the first four years in government the SPD was not able to identify a coherent concept of social democratic policy – neither through their concrete measures, nor in the course of its debate on a new party programme (Egle & Henkes 2003:84-88). To conclude:

In the fiscal policy, one can observe a shift from the traditionally social democratic aim of redistribution to the new favoured aim of budget consolidation. This can be interpreted as shift in the hierarchy of goals of social democratic policy as mentioned in the introduction. First, the enforced tax reductions followed mainly a logic of economic competition; second, this is a conservative fiscal policy in which redistribution of wealth only plays a subordinate role.

In the social policy, the government largely stuck to the social democratic aim of collectively organised social security, although one can state the introduction of new instruments in some areas: In the pension policy the SPD now promotes more private provisions, weakened the principal of equivalent benefits that is typical for contribution-financed welfare states, and strengthened the principal of a basic social security. Although there has not been a shift in the hierarchy of goals so far, the amendment of the pension system by a provision for private investment can be considered as a first step away from the parity financing mode of the German welfare state. If there will be similar reforms in health policy, the aim of collectively organised social security may be weakened in the long run through by higher individually payed contributions to the costs of welfare.

In labour market policy, full employment as an aspect of social inclusion continued to be top priority. But it was particularly in this policy area where an internal debate in the SPD about the appropriate instruments arose. In particular, the regulation of the labour market (above all the dismissal protection) was highly disputed, with the consequence that noteworthy reforms were inhibited. By introducing an activating labour market policy, new instruments were provided that lead to an incremental readjustment of social democratic aims. This is especially the case, when it is not the protection of the employee against the burdens of the market that has priority but the 'unconditional' insertion into working life with the aid of market forces.

So far, a noteworthy turning away from traditional patterns of social democratic policy only occurred in fiscal policy, whereas in the other policy areas reforms were only observable in terms of instruments. This policy pattern was favoured by the fact that the Bundesrat compelled greater tax reductions than the SPD had planned, whereas the potential for blockade of the trade unions did not play a major role in fiscal policy. However, where the specific interests of the trade unions clientele were concerned, they proved to be a potent 'reform-brake' that blocked the SPD from leaving the path of a traditional social democratic policy.

After the re-election of the red-green government in September 2002, the wing of modernisers within the SPD tries to enforce more encompassing reforms in health and labour market policy. This is evident as the ministry of labour and economy was newly organised under the centrist Wolfgang

Clement, but also because of the suggestions for reform of the social security system, worked out by a new commission of experts, the so-called Rürup-commission. According to the chancellor's government declaration on March 14, 2003 (PIPr. 15/32), several measures for the deregulation and liberalisation of the labour market and a higher private contribution in the health system (the so-called 'Agenda 2010') shall already be adopted in summer 2003. If these goals prevail even against the vehement opposition of the left wing of the party and the trade unions, traditional social democratic instruments would lose importance in these fields too. This may, but does not have to, lead to a revision of social democratic aims. Such an adaptation of policy instruments within the constraints of integrated markets and the problems of financing the German welfare state is a necessary condition to realise social democratic policy in the future – even though its specific outlines remain in the dark.

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Notes

- 1 We would like to thank Sophie Kraume, Miriam Sontheim and Helen Fessenden for their helpful research and their instructive comments and criticism.
- 2 For the self-conception of the party and the external view these policy areas are essential.
- 3 In the history of European social democratic parties the differences within this party family have been highly visible. But in responding to the question of social democratic specifics the reduction on a few major aspects seems acceptable (Przeworski 2001:315).
- 4 It is often stated that the aim of social democracy was a universalistic welfare state (e.g. Seeleib-Kaiser 2002b:482). The SPD had to act within a Bismarckian

welfare state that cannot be re-shaped fundamentally because of path-dependency reasons.

- 5 As Huber and Stephens (1998) point out, social democratic full employment policy has never been exclusively demand-side oriented. Especially in Scandinavia the supply side has always been part of the concept, e.g. in the form of active labour market measures.
- 6 For example the debate of the Labour Party about clause IV, the adoption of a new party programme of the Swedish SAP, and the discussion about the Schröder-Blair-Paper may be seen in this context.
- 7 In spite of his ideological flexibility we assign Schröder being a so-called 'moderniser', because he agrees on most points with this faction of the SPD and supports it by his personnel policy.
- 8 The term 'troika' arose when in the 1994 election campaign for the Bundestag the party leader and candidate for chancellorship Scharping appeared together with Schröder and Lafontaine in television and on posters.
- 9 Up to the time writing this manuscript it has been unclear which parts of its reform programme the government announced after its re-election in autumn 2002 it could really realize. So we consider mainly the legislative period from 1998 to 2002.
- 10 The topics that were important for the Greens were mainly found in the area of environmental policy (phasing out nuclear energy, new energy policy), in the promotion of civil rights (nationality and citizenship law, immigration, and protection of minorities), and in foreign policy. So the programme of the red-green coalition was clearly dominated by the SPD in the economic area whereas the intended reforms in environmental policy and in the promotion of civil rights were primarily pushed by the Greens (see Egle, Ostheim & Zohlnhöfer 2003b:12 sq.).
- 11 Immediately after the 2002 elections the pension contribution rates have been re-raised to 19.5 percent.
- 12 That is due to the fact that all companies benefit from the reduction of pension contribution rates (paid equally by employer and employee), but part of the companies have been excepted from the ecological tax respectively only has to pay a reduced rate.
- 13 Considering the charges of the ecological tax and the discharges of the income tax reform together none of the mentioned groups has to put up with income losses (Bach et. al. 2001:15sqq.)
- 14 Four weeks after Lafontaine's resignation Gerhard Schröder was elected as new chairman of the party.
- 15 The original unemployment benefit was a tax-financed allowance for persons, who had no entitlements of the unemployment social insurance.
- 16 This was only a single effect connected with the orientation to equal treatment of retained and distributed profits (SVR 2002:149).
- 17 The aim would have been that the health insurances only pay for approved effective pharmaceutical. The pharmaceutical industry vehemently protested against

this suggestion.

- 18 'In solidarity' means that employers and employees pay the health insurance contribution in equal terms. The services have then barely to be supplemented by private co-payments
- 19 The other measures are the introduction of a fixed basic pension for recipients of low pensions, a stronger apportionment of children raising and nursing care to the pension rate, and the closing of gaps in the pension qualifying period of unemployed people under 25 years. These measures partly weaken the logic of the insurance principal in favour of a universalistic approach. Finally the pensions for reduced capability to work have been reformed: It is hereafter not dependent on the professional qualification but solely on the general ability to work.
- 20 Both the policies of banks and insurances and the company pensions have to be certificated by the state to be subsidised.
- 21 This is intensified because the supplementary pension is not as planned obligatory.
- 22 This act simplified the procedure for the election of the worker's council and reduced the number of employed that are necessary to determine the size of the worker's council. As a result, the organisational basis of the trade unions was strengthened.
- 23 As the members were scientists and representatives of the social partners, this 'Hartz-commission' called board may also be seen as an attempt to continue the failed Alliance for Jobs on another level. It has got its name from Peter Hartz, personnel manager of VW and chairman of the commission.
- 24 We do not go into the differentiation within the wings that certainly exist (see Egle & Henkes 2003:70).
- 25 This indicates also how weak the left wing is compared to the modernisers especially in terms of executive and innerparty leading positions – although it constitutes a significant share of the party.
- 26 We count Schröder among the modernisers even though after Lafontaine's demission, he sometimes had to express topics and positions of the left wing for mobilisation the unionist clientele of the SPD before the parliamentary elections 2002.
- 27 The Juso-chairman spoke of 'moderate-neo-liberal polemics' and the DGB of a 'historically blind defamation of the welfare state' (FAZ 10.06.1999:10). Another example for this massive critique is the 'Berlin Declaration' by three left-wing SPD-working groups (Dressler, Junker & Mikfeld 1999). For further details see Egle & Henkes 2003, pp. 75 sqq.
- 28 To what extent this corresponds to the attitudes of its electorate and members remains open.
- 29 The fact that Rezzo Schlauch, former chairman of the Greens' parliamentary party, accepted the office of a minister of state in the new 'super-ministry' for economy and labour in the legislative period 2002-2006 might indicate a shift in this position.

- 30 Unions have a positive effect on a pact either if they are so strong and encompassing that they also take over externalised expenditures out of self-interest or if they are so weak that they expect gaining power through consensus (Jochem & Siegel 1999).
- 31 There is certainly a wing of modernisers within the unions as well (see DIE ZEIT 48/2002). But they do not determine the appearance and the orientation of the unions.
- 32 Compromises such as in the calculation of the pension level (see above) and in the adoption of the works constitution act that favours the interests of the unions and that can be considered as the ‘bargaining object’ for accepting the pension reform.
- 33 This is: the participation at the NATO’s mission in Kosovo in 1999, the participation at the militarily supported peace-keeping in Macedonia 2001, and the participation at the Afghanistan-war in 2001/2002.
- 34 Finally there was only Christa Lörcher left, who kept at her ‘no’ and left the parliamentary party. 17 SPD-deputies (quasi-identical with the ones who refused the Macedonia-mission) assented ‘forcedly’.
- 35 In opposition to the SPD-led ‘A-Länder’ and the CDU-led ‘B-Länder’, those with a government composed of a party governing on the federal level and one opposition party are called ‘C-Länder’. The latter normally agree on holding a neutral position in the Bundesrat. In this legislative period the following ‘C-Länder’ existed: *Mecklenburg-Vorpommern* with a SPD/PDS-government, *Rheinland-Pfalz* with the SPD/FDP-coalition, and *Berlin* (until 2001), *Brandenburg* (from 1999 on), *Hamburg* (until 2001) and *Bremen* with their grand coalitions.

