



Divided and defeated? The politics of a new social order

Fear, anger, and cynicism are the sentiments of our time. Bridging societal divisions will require social-liberal alliances and the return of political internationalism

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The case of Germany: who defeated the SPD?

Nine months ago the SPD suffered a landslide loss of voter support. The SPD took power in 1998 with the support of over 40 per cent of voters. In 2009 it won just 23 per cent of the vote and lost its place in government. Never before in post-war German history did the social democrats suffer such a devastating defeat, and never in such a humiliating manner. Talk about whether social democracy in Germany can sustain its claim to be a “Volkspartei”, a party encompassing all segments of society, dominates the public debate. How much trouble is the democratic left in? The answer is that it is in deep, deep water.

But who defeated the SPD? The answer to this question is less clear. The conservative party, the Christian Democrats, has abandoned its distinctive profile. Angela Merkel has turned out to be a leader who does not lead. The Merkel-CDU of the grand coalition has since 2005 essentially presented itself as an opportunistic catch-all party that entered government without any ambitious reform agenda. It also lost votes in 2009, registering its worst result in 60 years. Yet Merkel’s 33 per cent was still sufficient to beat an exhausted SPD, whilst still losing historic proportions of its support base.

Many observers ascribed the weakness of social democracy to the emergence of a new “Left party”, a protest movement against social democratic labour market reforms. But even the accumulated mandates of the SPD, Greens and Left party – a red-red-green-coalition – failed to get a majority.

So, who did defeat social democracy? Seemingly, it was strong liberalism. The German Free Democrats conducted the most focused and distinctive election campaign. “More net income for everybody” – that was the slogan. And this single-issue agenda resonated well. Germany’s liberal party promised large tax cuts, in no way perturbed by the financial crash and by the public deficit the crisis accelerated, acting both coolly and stubbornly in the context of a heated policy debate over the lessons of market failure. They were the only remaining voice to stick by the long-held formula of reducing state intervention, and with almost 15 per cent of the votes they achieved their best result ever, enough to gain a majority for a centre-right coalition and a second term for Angela Merkel. Thus the self-appointed “dream coalition” of conservatives and liberals took office.

Yet less than a year later the Free Democrats are in freefall, and so is the whole coalition. The dream team has become a nightmare. It is hard to remember any example in Germany of such a dramatic decline in public trust in a new government. FDP leader Westerwelle was known as a powerful and aggressive performer in opposition. But as foreign minister and vice-chancellor he appears stiff, aimless and tired. A recent newspaper quote reads: “Westerwelle has nothing against foreign countries; he is simply not interested in them.” Usually the post of foreign minister in Germany is a ticket to great popularity. Westerwelle, though, has seen his public support decline dramatically, leaving him the most unpopular of all top German politicians. His party fell to just 5 per cent in polls. Attempts to fuel a turnaround with the same measures that were successful in opposition failed dramatically: heartless rhetoric against social spending backfired. And the uncompromising fight for large-scale tax reductions clashed with the reality of a federal budget of 320 billion euros burdened by 67 billion euros in new debts in 2010. Moreover, it did not go well with 146 billion euros in German state guarantees to stabilise the eurozone.

After less than a year in power the agenda of old-style free market slogans proved to be no longer fit for government. The result is no less than a political disaster. The core projects of the coalition – tax reform, healthcare reform, consolidation of the public finances – got stuck in a plethora of internal clashes and conflicts. Members of the coalition keep attacking each other with offensive names: “wild sow”, “troop of gherkins”. Merkel remains immobile amidst the chaos, unable to provide the sound decision-making that could lead this government forward. She has been the most popular German policymaker for years. Her conflict-avoiding style is in tune with Germany’s desire for consent. But in the end she let conflict grow by not intervening – which explains why her approval ratings have declined from 70 per cent to only 40 per cent.

The consequence of all this is a vacuum in German politics. The governing coalition is shorn of all ambition. The SPD is still too weak to provide an alternative. Returning to the question of who defeated social democracy, the answer is, I would argue, that no single competitor, opposing coalition, or any other historical set of ideas and ideologies did the job. No sustainable political alliance of the right gained power. So what else made the SPD look out of touch with modern challenges?

The German social democratic party became strong as a catch-all movement in the best sense of the word: the SPD used to be a connecting centre that brought together low-skilled working class members with a well-educated, ambitious middle class. Analysing who supported the SPD always showed that the party is almost equally strong in completely different income groups, that it does not only voice the interests of a single clientele. On the contrary, it assembled different strata of society who had different if not conflicting interests. But the common denominator was a certain spirit of collaboration and reconciliation, the so-called “class-compromise”. The heart of the matter is a social order providing a fair deal for all. The SPD served as a bridge connecting social groups alien to one another. Its historic defeat now reflects how alienation is widening again. The decline in the SPD’s share of the vote to 23 per cent is the result of a breakup of the social contract. People at the bottom of society no longer trust the promise of fair chances, the elite at the top no longer wants to pay for losers and the middle class feels exploited by the social state. Tony Judt says that fear is the sentiment of our time. He hopes that this could aid the comeback of social democracy. But the dominant political emotions could also be anger and cynicism; and that serves nobody at all. Social democrats cannot breathe in an atmosphere of distrust and discontent. My argument is that only by offering the hope of reconstructing society can social democracy become strong again. Social democrats have to deliver both the draft of a new deal and the hope that is needed to make it work.

The moment of crisis: can social democracy deliver in tough times?

We not only have good intentions, but also good experiences to start with. At the moment of crisis, when financial markets almost collapsed and tore down the export oriented economy as well, the grand coalition in Germany acted quickly and decisively:

- it guaranteed bank deposits and prevented panic;
- it injected large sums of public capital to stabilise credit business;
- it nationalised big banks such as Hypo Real Estate and Commerzbank;
- it mobilised demand and investment through public spending, and gave money to local government in order to modernise the social infrastructure;
- it quickly implemented a labor market intervention that allowed companies to reduce working hours of employees with state subsidies – at the peak of the downturn in May 2009 more than 1.5 million workers were in short-time work programmes.

Most of these measures were suggested by the industry unions side by side with the SPD in government – and most of them were politically enforced and implemented by social democrats. Can

social democracy deliver in tough times? Yes, it can. And it helped to secure industry output and jobs throughout the deepest recession in post-war German history, with a sharp decline of minus 5 per cent of GDP in 2009. The stability of the German labour market, with unemployment currently at around 7 per cent, is proof of its success.

It might seem a tragedy that voters did not value this performance. But at a time when markets could no longer deliver the trust on which the market economy depends, sound political action restored confidence in the functioning of the economy and of the political institutions as well.

It was the return of a Keynesian moment in the eye of crisis. Yet a huge public deficit is the cost of the intervention. Deficit spending is not enough to counter the crisis of trust. A nation walking alone would get lost. The first rule to make it work was to coordinate state intervention on a European and a G20-level. In the age of global markets Keynesianism can only work when the big economies act quickly and in concert. The next step would demand balancing the budget by a well-orchestrated burden sharing in society. This is exactly where the current centre-right government of Germany has failed. Their first legislation did the opposite when it introduced sales tax privileges for the hotel business worth a billion euros. That is nothing but patronage. It seems that this government does not serve the public interest, but a chosen clientele. Such a policy is poisoning the atmosphere. The consolidation plan Merkel presented in June cuts spending for employment programmes and family benefits for the unemployed. But it is spongy when it comes to the contribution of finance by a financial transaction tax. And it has nothing to say at all about getting the rich and very rich to contribute to the reconstruction of society; nothing about lowering the burden small and middle incomes have to carry. There is no idea of how to shape society as a whole and how to strengthen the social fabric.

Social democrats can also deliver in this respect. Fighting patronage, campaigning for a just burden sharing that enables new social investment in equal chances – this is consistent with our reform agenda in the past decade, and it is aimed at restoring trust in the public sphere as a common good.

The era of transition and the case for social liberalism

The progressive left is in trouble. But we should not ask what best serves the purpose of the left. The key question is: how can progressives best serve society? We need to win over all those who feel alienated from democracy. The discontent of the 21st century is social Darwinism. This is what Tony Judt calls an age of fear. There is fear of insecurity, but anger at injustice too. A great number of people no longer believe that the rules are fair. They doubt that democratic decisions really count and that public institutions serve the common good. Patronage, corruption, political sectarianism, inequality of income and opportunity, reckless financial capitalism, ecological hazards, cultural clashes, ethnic conflicts – these are what dominate the debate. Voters do not believe social democratic values of justice and solidarity to be wrong, they simply do not believe that values matter, or that social democratic parties can do anything about it. Fear, anger, and cynicism are the sentiments of our time. It all amounts to the great divide in society. Some seem always to gain, some always to pay. “Some to misery are born, some are born to sweet delight”, as William Blake puts it.

Disbelief that values count or that democracy matters cannot be dismissed as “wrong consciousness”. In fact there is evidence – which the financial crisis highlighted – that the very basis of modern democracy is eroding, and that the rule of law is in danger. Some financial activists act like pirates. They exploit state subsidies without feeling attached to any kind of common good. And they seem to be proud of it, and despise all those miserable dwarfs in public service. “Catch me if you can” is the title of a movie in which Tom Hanks plays a very unhappy policeman running after a very smart guy committing financial fraud. This is the film we live in. The truth is that we can’t catch them. Anthony Giddens wrote about the “public sphere” as the starting point of our ideological reconstruction. I believe this is true. But I also see disdain towards the public sphere, even quite often self-disdain among those working for public

institutions. The reason, I would argue, is that one state alone can no longer deliver the basic justice of equality before the law. The state can legislate, but it cannot guarantee the validity of the law. The gap is obvious. We miss the common will, the ideas and institutions of international regulation. We don't know how to manage democracy and the rule of law beyond the nation state. The first globalisation opened societies and markets. It formed a privatised morality that does not value public virtues. The second globalisation would bring forward the understanding that open societies cannot live without the rule of law. It would foster the historical knowledge that common markets need common rules in order to prosper.

We live in an era of transition. We have left the safe harbour of the nation state but cannot yet see the coastline of the promised land of global governance. In times of transition people need a new sense of direction. The art of navigation, to determine the right course amid uncertainty and without having the destination in sight, is the prime political talent we need. Social democracy has all the potential to become the idea leading towards a new social order. The great divide in societies and the lack of global governance both call for policies of reconstruction:

- reconstruction of the rule of law and social order in working life, in the markets, and in international finance;
- reconciliation between labour and capital;
- a new burden-sharing between the haves and the have-nots;
- a new burden-sharing that gives the middle class a fair deal in taxation;
- the evolution of international governance and European democracy.

These are new deal policies on a large scale. I believe that this is both a social democratic and a liberal agenda. Liberty needs justice; freedom needs order; free enterprise and fair competition need a legal framework. If liberals do not want to end up in a society of gated communities and ghettos they have to adopt policies for a new social order, coordinated on an international scale. That is why I think that political alliances between social democrats and liberals are fruitful.

In a sense this is a perfect moment for social democracy. We can bridge the conflicts and we can reinvigorate our tradition of political internationalism. We talk about the reconstruction of social democracy. We reconstruct ourselves best by reconstructing society.

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