

# The SPD under Merkel

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As part of its [\*continuing series\*](#) on the European Left, The Current Moment publishes an article by Wolfgang Streeck on the SPD under Merkel. Wolfgang Streeck is a director at the Max Planck Institute for the Study of Societies in Cologne, Germany. Widely recognized in Germany and abroad for his work in sociology and political economy, Wolfgang Streeck's most recent book is published this month in English with Verso, under the title [Buying Time: The Delayed Crisis of Democratic Capitalism](#).

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Since the fall of 2013 Germany has been governed by a Grand Coalition, led by the Christian Democrats under Angela Merkel and including as junior partner the Social Democrats under Sigmar Gabriel. Arguably the union of Black and Red was nothing more than the formalization of an informal cohabitation that had followed the end of the first Grand Coalition of the new century in 2009. Now that the opposition in the Bundestag has been reduced to a tiny and politically dispersed minority, it seems not much of an exaggeration to consider the government firmly in the hands of a centrist national unity party into which the two former *Volksparteien* have peacefully dissolved.

What is remarkable is how happy the two parties are with their reunion, and how stable their share in the vote has remained since 2009: the CDU/CSU attracting roughly 40 percent of the electorate – at steadily declining rates of turnout – and the SPD being stuck at around 25 percent, a result that was considered catastrophic in 2009 when it was attributed to having been the smaller party in a Merkel cabinet. Now the SPD seems content with having ceased to be in serious competition for the Chancellorship, if not forever then for a very long time.

There are several reasons for the stability of the current power-sharing – or better: cooptation – regime and its apparent prospects for a long life. Angela Merkel seems much to prefer the SPD over the coalition partner of her second term, the FDP. With the Social Democrats on board, she is no longer at risk of being forced by her party, or tempted by her own passions if such she has, to hurt the feelings of pensioners, the unemployed, or the remaining clients of the welfare state by pursuing neoliberal “reform”, at least in Germany. While the SPD is less given to electoral-political panic, being (still) sufficiently far away from the five-percent hurdle, the FDP may never recover and disappear in the no-man’s land outside of the Bundestag. Moreover, if the SPD were for some reason to break away from Merkel, there are now Greens, eagerly waiting to claim the place of the SPD as the CDU’s partner in government – and the SPD knows this. Having abandoned their old leadership after the disappointing election results of 2013, the Greens are still angry with themselves for having rejected Merkel’s invitation to coalition negotiations. Merkel can now choose between two comfortable majorities, one with the SPD and one with the Greens, and next time around she may actually want to change partners once the SPD will have done the dirty work of revising the *Energiewende* in line with the interests of the German export industry and, perhaps, the private households suffering from steadily increasing prices of electricity. More on this below.

Meanwhile, Red-Green-Red, a government formed under SPD leadership and including the Greens and the Left, looks ever more remote as a practical possibility. The Greens, having finally abandoned their leftist inclinations, will not let entering a government that includes *Die Linke* get in the way of their being perceived as a thoroughly *buergerliche*, middle-of-the-road party with a socially progressive and environmentally conscious agenda. And while the Left has worked hard to style itself as a staunch supporter of “Europe” – which in Germany is now the same as the Euro – its empathy with Russia in the crisis over Ukraine is likely to make it even more of an outcast in the German party system than it already is, not least because of the SPD’s untiring denunciations.

Inside the SPD Sigmar Gabriel, party leader and minister of economic affairs, is now fully in control. Not least this is because Merkel, by making major substantive concessions to him during the coalition negotiations, including a disproportionate representation of SPD ministers in the cabinet, made it easier to forget the party’s crushing defeat of 2013 that it received under his leadership. Moreover, Gabriel’s candidate for Chancellor, Steinbrück, miraculously disappeared only two or three days after the election, as though he had never existed; nobody has heard from or of him since. Steinmeier, Gabriel’s other former rival, is happy to be back at the Foreign Office, in the post he already occupied in the first Grand Coalition 2005 to 2009 when the party was sufficiently impressed with him to make him candidate for the Chancellorship, to disastrous effect.

As to Gabriel, his junior partnership with Angela Merkel has given him the means to heal the rift between the SPD and the unions, with two policy moves he extracted from the CDU/CSU. The first is the introduction of a general minimum wage, the second an effective lowering of the pension age for a select group of workers. Both measures are still in the legislative process and details are contested between the SPD and factions in the Christian-Democratic Parties. The Chancellor, however, as one would expect, sticks firmly to the Coalition agreement and there is no doubt that the two measures will eventually be passed in one form or other.

The prehistory of the impending minimum wage legislation is rather curious. For a long time the unions had opposed any legal regulation of low wages, in order to protect collective bargaining. The first to break ranks was the service sector union, Verdi, which after the Hartz reforms had finally lost control over the low wage end of the labor market. With a delay of a few years IG Metall, still the most powerful among the unions, concurred, which it might have done much earlier given that there are practically no low wage workers in its constituency. Now the SPD can offer a legal minimum wage as a tribute to its union allies, and as a sign that social-democratic participation in government carries real benefits for workers – which in this case is actually true.

Pension reform, too, serves to mend fences with the unions. Under the first Grand Coalition the then Social-Democratic party chief and Minister of Labor, Franz Müntefering, almost single-handedly raised the legal age of retirement to 67 years, bypassing the SPD in what was practically a *coup-de-état* with the support of Merkel. The new legislation will allow workers with more than 45 years of service, including times of unemployment, to retire at age 63, at full pension. The matter is more complicated than it looks and more complicated than its supporters and detractors make it look. What is true is that it will benefit mainly the core union constituency of male manual workers. In exchange, the SPD has swallowed an even more expensive pension increase for mothers with children born before 1992, which was and is a pet project of the Christian Democrats trying to get back the female vote. Like the minimum wage, both pension reforms are fought tooth and nail by German economists, a neoliberal monoculture of astonishing internal conformity that has never been more

predictably opposed than now to anything looking only slightly like it might be social-democratic.

In addition to minimum wage legislation and pension reform, three issues in particular will dominate the agenda of the Grand Coalition. Ultimately they will decide upon which constellation of political forces Merkel's fourth term – and nobody seriously doubts that she wants and will get one – will be founded. The first is Europe. Here the SPD was always in agreement with Merkel, in government or out. It is true that once in a while it deployed anti-Merkel rhetoric to attract the Euro-idealistic segment of the middle class, as represented primarily by the Greens. In this vein, before the 2013 election Gabriel made several attempts to win the backing of intellectuals such as Jürgen Habermas, for what he pretended to be a social-democratic alternative to Merkel's European policy. The message, although mostly coded and subtle, was that Merkel did less than required to mitigate the suffering in the South. But the only practical consequence, if any, was that Merkel won and the SPD lost among those afraid that "Europe" would become too expensive. It seems that this was why Merkel felt no need to be vindictive about the Social-Democratic attacks.

In fact, when coalition negotiations began after the election, the first deal that seems to have been struck on the very first day was that the SPD gave up on the Europeanization of government debt ("Eurobonds") so dear to the heart of the Greens and the progressive middle-class milieu, in return for the CDU agreeing to the legal minimum wage. Both CDU/CSU and SPD know that more than symbolic assistance for the crisis countries would be costly at the ballot box although the SPD, to Merkel's delight, had to pretend for the consumption of the "progressive" part of its constituency that it did not care about this. In truth, Merkel, Schäuble, Gabriel, Steinmeier and the forgotten Steinbrück have for long formed an *Einheitsfront*, knowing they must defend the Euro to the hilt as it is the lifeline of the German export industry, not just of its employers but also of its unions. For the German economy, European Monetary Union means a favorable external exchange rate plus fixed prices for their products in a captive "internal market" protected from political distortion in the form of a readjustment of national currencies. The German political class knows that at some point this will have to be paid for, but they are determined to keep the price as low and as invisible to voters as possible. One way of doing this is insisting on "reforms" in debtor countries, another offering financial support for social programs in Greece or Spain that are small enough not to make a dent in German public finances but also too small to make one in the South's misery. Much more important is the tacit backing by both CDU and SPD of the European Central Bank's various covert measures to bail out the ailing Southern European banking industries and surreptitiously refinance the debt of the Mediterranean states, in contravention of the Maastricht Treaties. While the Christian Democrats pretend they don't know, the Social Democrats claim credit with their pro-Euro supporters for not getting in the way of the ECB's "emergency measures".

The so-called "European elections" were officially framed in German politics in two not readily compatible ways at the same time and by the same players. First, they were depicted as a Manichaeic battle between the "good Europeans" united in the CDU/CSU/SPD/Greens/FDP *Einheitsfront* and the "enemies of Europe" – the "Anti-Europäer" – represented mainly by a new center-right party, AfD, which had formed to demand an end to monetary union. During the election campaign all controversial issues among the governing parties, most of them just pseudo-controversial anyway, had been hidden away (no mention any more of "Eurobonds"!), just as at the European level all impending critical decisions had been postponed (like banking union and the various additional "rescue operations" it will require). This left as common objectives for both

Christian and Social Democrats a higher voter turnout and keeping the AfD as small as possible. Both goals were in part achieved as the 7.0 percent won by the AfD remained below the protest vote in many other countries, and turnout increased for the first time in decades in a national election, from 43.3 to 48.1 percent.

Second and simultaneously, the election was presented as a competition between two individuals, both long-serving European functionaries with indistinguishable European convictions, running Europe-wide for the Presidency of the European Commission on behalf of their respective “party families”: the Luxemburger Christian Democrat Jean-Claude Juncker and the German Social Democrat Martin Schulz. Merkel had more or less enthusiastically allowed her party to participate in the charade, apparently on condition that she rather than Juncker was featured on the CDU election posters. The SPD, on the other hand, insisted that the “winner” of the contest had to be appointed President, even though nothing like this can be found in the Treaties, and although Schulz never had a realistic chance of gaining a majority in the Parliament. Remarkably, throughout the campaign the SPD presented Schulz under the slogan, “From Germany, for Europe”, in obvious contradiction of Schulz’ pan-European rhetoric outside his home country. The nationalist frame in which the Social-Democratic “European” candidate was advertised paid off handsomely. While the Christian Democrats lost 2.6 percentage points and ended up at 35.3 percent, the SPD gained 6.5 points (up from 20.8 percent in 2009, which had been the party’s lowest result ever) to finish at 27.3 percent.

The election over, it is again the time of the European Council, the representation of national governments, which today means the time of Angela Merkel. If she wants she can now act as the informal leader of her “party family” and try to install Juncker at the head of the Commission. For the required majority in the European Parliament she will need the support of the Social Democrats, which she might get if she offers Schulz a post as Commission member, maybe as Vice President. This she would be able to do by sacrificing the sitting German commissioner, a former Christian-Democratic Minister President of the *Land* of Baden-Württemberg who, conveniently, happens to oppose Merkel’s anti-nuclear energy policy. Sending Schulz to Brussels on the German ticket would make Merkel’s German coalition partner happy: not only would it transport the German Grand Coalition to the European level – where Christian Democrats and Social Democrats had always worked together hand-in-glove – but the SPD had during the coalition negotiations demanded the German post on the Commission, without the two sides having come to an agreement. Moreover, a Schulz appointment would usefully demonstrate, if such demonstration was still needed, that Merkel knows how to punish disobedient members of her camp. Alternatively, Merkel could, after a period of indecision, disregard the election results altogether and appoint a Commission President able to get the approval of the British – which would exclude both Juncker and Schulz. This would be a positive signal to the rising numbers in Europe, not just in the UK, who favor a repatriation of competences from Brussels to the nation-states. In particular, it would be a good preparation for the impending negotiations with London on a revision of the Treaties in this sense. Germany, it would appear, should have a strong interest in keeping Britain inside the EU, if only as reassurance against all too ambitious integration projects as are likely to originate in Southern member countries and could be quite costly from a German perspective. Ultimately, perhaps after some public fuss, the SPD, in charge after all of the German Foreign Ministry, will go along with this as it always has.

The second issue the SPD will somehow have to master is the implementation, drawn out over more than a decade, of the balanced budget constitutional amendment passed by the first Grand Coalition under Merkel in 2009. As CDU-CSU and SPD had passed the amendment

together, it would be hard for both to defect from it. On the other hand, while the language that was inserted in the Constitution is extremely detailed and technical, making the amendment the longest ever and entirely unreadable for the general public, loopholes can always be found to mitigate spending cuts if need be. As long as the general economic situation in Germany continues to be as good as it is now, the consolidation of public finances, which has already begun, will cause only little pain and budget balancing can remain a joint undertaking. Already, however, the 2014 pension reform was counter to the spirit of austerity under which the *Schuldenbremse* was installed, and the moment tax revenues will begin to stagnate or decline, the higher pension entitlements will make themselves painfully felt. Among the budget items that may then become politically contentious are the still very high annual transfers to the *Neue Länder*, the former GDR. For a government that will for political if not for other reasons have to defend these against spending cuts, it will be impossible to advocate new fiscal transfers to the Southern and, increasingly, the South-Eastern member states of EU and EMU, regardless of whether through Brussels or on a bilateral basis. Obviously this will further constrain German options in Europe and in the defense of the common currency. While this is unlikely to destabilize the Black-Red coalition, what may become critical is that the *Länder*, which together account for half the public spending in Germany, may have a harder time than the federal state to consolidate their finances as required for them by the amended federal constitution. It so happens that most of the *Länder* are today governed with strong Social-Democratic participation, and some *Länder* Prime Ministers are powerful figures within the SPD. Bringing them in line with the Federal Government's fiscal consolidation policy will be a strong test for the SPD national leadership and the Social-Democratic cabinet members, and one that they may well fail.

The third and final of the three critical issues for the Social Democrats under the Grand Coalition is energy. When Merkel ended the nuclear age in Germany by command decision during the panic after Fukushima, she with one stroke gained for herself the option of a Black-Green coalition. In this, perversely, she could count on the support of the SPD, which had long identified itself with the Greens' anti-nuclear energy stance, in spite of considerable skepticism among the unions, who were concerned about jobs, and among local governments, often Social-Democratic, who worried about a secure energy supply. When general enthusiasm about the *Energiewende* had dissipated and the immense difficulties of replacing nuclear energy wholesale with renewables began to make themselves felt, Merkel cunningly conceded energy policy to the SPD, by agreeing to move it from the ministry for the environment to the economics ministry which the SPD had claimed for its party leader. Gabriel will now have to square several circles at the same time. First, he will have to find ways to end and perhaps reverse the rise in energy prices for private households caused by the heavy subsidization of renewables. Second and at the same time, he must reassure the Green element in the SPD that he will not fall behind Merkel with respect to the pace and scope of the "energy turn". Third, German industry has meanwhile become more restive than ever over the rising price of energy, and firms are beginning to talk about relocating production to countries where energy is cheaper. The same fear is expressed by unions in the manufacturing sector, in particular the union of chemical workers, which happens to represent also the energy-producing industry, including the operators of nuclear power plants. Fourth, the European Union in Brussels has become suspicious about what it perceives to be public subsidies ("state aids", in Brussels jargon) to lower the costs of energy for manufacturers in energy-intensive sectors – which, in turn, are in fear of Brussels depriving them of their benefits. Fifth, citizens, including some of those who had applauded the end of nuclear energy, are becoming averse to the construction of the new power lines required for the transport of wind energy from the north to the south of the country. For Social Democrats, the

main battlefield will be the retail price of electricity for low-income households, followed by employment in manufacturing and energy production. No doubt Merkel had every reason to hand the responsibility for *Energiewende* to her partner, with the Greens waiting in the wings for when Gabriel will have to throw the towel under the intensifying pressures from different and incompatible interests. This, then, may be the hour of Black-Green.