

Report from Germany by Rainer Apel

'Third Way' is on the march

An unprincipled Chancellor Schröder has decided to borrow from Britain's Tony Blair, once again.

In late November last year, the British media noted a deep rift in the special relationship between British Prime Minister Tony Blair and German Chancellor Gerhard Schröder. The London *Times* and other news dailies pronounced the "Third Way" project (monetarism with a "human" face) of the two leaders dead, and buried it as apparently not fit for the European socialism of the 21st century. The split between Blair and Schröder, who had given the project a kick-off at a joint press conference in London on June 7, had developed over a number of grave economic and financial crises in Germany, which forced the Chancellor to swing back to the traditional model of state-run economics, opposite to Blair's endorsement of the British free-market model with as little state intervention as possible.

But the Third Way project was only half-dead, as Schröder's commitment to have the state intervene in the big November crises of German industrial corporations, like the Philipp Holzmann construction firm, turned out to be only talk. Holzmann is still struggling for its survival, four months after Schröder's public intervention.

Actually, Schröder turned out not to be committed either way: He didn't push the joint platform with Blair, nor did he push the German model. The Chancellor leaves the impression that he would like the "markets" to solve the problems by themselves. Like many Western leaders, Schröder knows virtually nothing about economics. He is the German variant of the Baby-Boomer, who prefers to govern without having to deal with

economic or financial affairs. But, he likes to present himself in public as someone who wants to have a say on economics. He may sympathize with this or that economic initiative, but it is never a profound endorsement of a well-conceived policy. It is, rather, a shallow "engagement." So, he has stated his sympathy several times for the British variant of socialism, rather than the French, but this does not make him (as Blair has come to notice) a reliable ally for the Third Way policy.

At the moment, Schröder has revived his sympathies for Blair. At the Lisbon "information technology summit" of the European Union, in late March, the Chancellor endorsed Blair's push for a "modern Europe," based on information technologies. From Lisbon, both leaders flew to Britain, for talks at Blair's country residence at Chequers, on March 24. The day after, when the two joined the 50th conference of the Anglo-German Society (also known as the Königswinter Meeting) in Oxford, Schröder told journalists that the Chequers talks had documented that "Anglo-German relations have never been so good." Schröder emphasized his support for Blair's Third Way policy, saying that his public endorsement of the policy in London last June, had set most of his Social Democratic party against him, but that he had always stayed loyal to the cause.

Upon his return home, Schröder removed the last doubts about his present orientation toward Blair's monetarism, in a speech in the industrial city of Wolfsburg on March 28. There, he

called on workers to accept being paid a sizable percentage of their wages not in cash, but in stocks. In a clear reference to Blair's 1997 call on British labor to enter a "stake-holding economy," Schröder said that what he was proposing, could "play an important role also in the transformation of the systems of social security, particularly of pensions."

Indeed, Schröder's government is preparing legislation to privatize part of the state pension system, by granting retired citizens a minimum pension at about the social welfare level, with the uncertain option of improving their income through revenues from stock or derivatives. Much clearer than in most of the German media, Schröder's Wolfsburg speech was characterized as what it was, in the media in Britain: "Schröder Borrows from Blair to Push Worker Share Deals," the *Daily Telegraph* wrote on March 30. "The scheme, which echoes Tony Blair's drive to create a stake-holder economy . . . will also marginalize trade unions . . . and create a more modern union culture." In former times, one would have called that "union busting."

It is not certain whether German labor will accept that policy. Labor leaders, mostly Social Democrats like the Chancellor himself, have for the moment decided not to cause trouble for the government: Within a few days after Schröder's Wolfsburg speech, two mooted national labor strike actions, in the metal industry and at the German rail company Deutsche Bundesbahn (DB), were called off. But the next big crisis in the industry, or at DB, which plans to lay off one-third of its workforce, may instantly create a turbulent situation. Labor leaders may not be able to remain loyal to the Chancellor, such that he, at a critical moment, will not be able to maintain his loyalty to Blair.