

## Report from Bonn by Rainer Apel

### Toward a corporatist grand coalition?

*The SPD's defeat in Hesse strengthened the advocates of a coalition with the CDU. But what will its program be?*

**T**he ongoing faction fight inside the Social Democrats (SPD) here, which has already led to the resignation of longtime chairman Willy Brandt, has reached a new high point after the party's defeat in the state elections of Hesse on April 5. The loss of six percentage points, which helped the Christian Democrats to form a government in that state for the first time in 40 years, has nationwide implications.

The three-year-old Hesse experiment—a government coalition between the Social Democrats and the radical-ecologist Greens—suffered a severe set-back. The defeat has been welcomed by the labor current in the SPD, which is trying to shift the party back to a pro-industry paradigm. This current thinks that the grave economic, employment, and social crisis of the country can only be overcome by a “grand coalition” with the Christian Democrats.

As the recession deepens, undermining support for Christian Democratic Chancellor Helmut Kohl on the federal level, the idea of a grand coalition has gained new currency among the Christian Democrats (CDU) as well. Dawning awareness among German financial circles of the imminence of a banking crash, plus the latest figures on unemployment and the decline of orders to industry, document that the government is reaching the end of its rope.

Purchases of industrial machinery have dropped by 8% domestically, and by 14% in the export markets abroad. Unemployment is still at 2.4 million,

plus an estimated 1.3 million jobless not registered. While the jobless rate has not changed over the past few months, the number of industrial workers on short-time has soared from 275,000 in March 1986 to 462,000 in March 1987. Under the stubborn fiscal austerity policy of the Kohl government, no recovery program is in sight.

Thus, only two months after the national elections of Jan. 25, Chancellor Kohl faces a situation comparable in many ways to that facing Chancellor Ludwig Erhard, a few months after his election victory in September 1965. Between March and November of 1966, West Germany slid into a recession, which largely hit the heavy-industry belt in the Rhine-Ruhr region. In October-November 1966 alone, unemployment rose from 121,000 to beyond 300,000. The fate of Chancellor Erhard was sealed: By Dec. 1, 1966, West Germany had a new chancellor and a new government—the “grand coalition” between Social and Christian Democrats.

The program of this coalition was Keynesian-style crisis management, consisting of a wage/price freeze, the lowering of the discount banking rate from 5% to 3%, a reduction of the workforce in industry, state-funded creation of jobs in the service sector, and the introduction of the value-added tax. Facing the heritage of Erhard's austerity regime, the new austerity regime of Finance Minister Franz-Josef Strauss (Christian Social Union) and Economics Minister Karl Schiller (SPD) had to deal with another dra-

matic rise of the jobless rate from 371,000 in December 1966 to 673,000 in February 1967. Within one year since February 1966, the jobless rate had more than tripled, to 2.1%.

The social form of the grand coalition was corporatism: The Social Democrats and the CDU's labor base convinced the country's labor movement to accept considerably lower wage increases, and CDU businessmen and industrialists were supplied with cheapened credits, to make them accept the transformation from a predominantly industrial society to a service economy.

The corporatist agreement was meant as a social contract limited to a four-year government term. It provided no solution to fundamental economic problems, but offered an option to calm the waves of recession for a few years. The grand coalition helped the country's elites to gain time for the preparation of a new government. But it was soon topped by the 1968-69 strike wave. By September 1969, national elections installed a new government alliance between the Social Democrats and the liberal Free Democrats, under the chancellorship of Willy Brandt.

In today's debate on a new grand coalition, some of the same *dramatis personae* have come to the fore, and their program has not changed. Franz-Josef Strauss and Karl Schiller have most recently surfaced in their respective parties, as leading spokesmen for a grand coalition. Again, the slogan is to sacrifice jobs in the “old” industry sectors, for the sake of “telecommunication-age industries.”

But what failed in the '60s is certainly not going to work under the much more intense crisis conditions that now prevail. Either the old corporatist program is scrapped, or the grand coalition is doomed to failure.