Selling labor for a risky dividend

The German Social Democrats are borrowing bad ideas from British Labour's Tony Blair.

Considerable losses of votes in three state elections in Germany on March 24, have let inner-party tensions and policy differences break out into the open among the Social Democrats (SPD), the biggest opposition party in the German national parliament. This comes at a time when the SPD has no clear platform, and the paralysis which rules the party comes like a windfall for Chancellor Helmut Kohl and his Christian Democrat-led government. The temptation is great, therefore, for Kohl's CDU party not to bother with economic problems, not to break with the present international financial system, which prevents the creation of new jobs. The CDU and Kohl feel quite smug about the "anti-SPD vote" and intend to keep their fiscal austerity policy course—as if this were what the voter wanted.

Statements from the CDA, the CDU labor organization, show, however, that the working population opposes Kohl's policy. One of the big paradoxes of German politics is that the CDA, the Christian Democratic workers, are much tougher in their criticism of the government's monetarism, than the SPD, the purported opposition.

For example, in an April 9 statement that has been circulated nationwide, the CDA openly denounced the budget-cutters in its "own" Christian-Liberal government, for planning to "undermine the Social Market Economy and impose the policy of Thatcherism" in Germany, at labor's expense. In a radio interview two days later on the national DLR station, CDA chairman Rainer Eppelmann refuted the often-used lie that the managers do their job and do nothing wrong, whereas the workers and labor organizations are the alleged chief culprits for the economic problems and the high costs of labor in Germany. He said that in the most dramatic cases of recent huge corporate losses and mismanagement, Vulkan (ship-building) and Daimler-Benz (auto), the globalization-obsessed managers made the big mistakes.

As for the Social Democrats, no one, in the entire party establishment, comes close to the level of economic debate witnessed among prominent U.S. Democrats like Kennedy, Daschle, Gephardt, LaRouche, Bingaman, or De Lauro. Thus, not much could be expected from the surprise trip to the United States that SPD party chairman Oskar Lafontaine made before the Easter weekend. The monetarist side of Lafontaine's talks in Washington, D.C. ruled the day: meetings with International Monetary Fund Managing Director Michel Camdessus, with Assistant Treasury Secretary Lawrence Summers, with Federal Reserve Chairman Alan Greenspan.

Lafontaine created the political paradox that while prominent Democrats keep attacking the hoax of the "job creation wonder" of the Bush-Reagan era, he was "interested to hear" from his U.S. discussion partners "why over the past several years the United States was able to create 8 million new jobs, in spite of its successful effort to balance the budget." This is what Lafontaine told journalists at a Washington press conference April 4.

"We are currently debating in Europe," he said, "the proposals made by the Volcker Committee" and the "U.S. experience, [which] has taught us that it is possible, through a judicious monetary policy, to stimulate growth and create jobs." Had Lafontaine met representatives of the AFL/CIO during his trip, he would have heard a different tale about the "judiciousness" of monetary and management policies in the States.

Some insiders here tend to see Lafontaine's U.S. visit in close link with the almost parallel visit by British Labour Party chairman Tony Blair, who assured several hundred businessmen, bankers, and political leaders in New York that his "New Labour" policy no longer opposes the "free market," which Labour Party members used to identify with job-killing Thatcherism.

Among Europe's Social Democrats, Blair is viewed as the new shooting star of the "socialism of the 21st century," and today's continental Socialists are borrowing ideas from Britain. This became apparent after Lafontaine's return from the United States: after "programmatic" SPD executive meetings in Bonn April 12, he told the media that the party leaders had discussed Social Democratic "alternatives" to Chancellor Kohl's pro-downsizing economic policy: Lafontaine proposed to turn workers into shareholders of their companies. If globalization and outsourcing could not be stopped, the workers would "at least have some benefit" of the dividends earned on their shares.

The fewer workers are employed by a company, the greater the dividend its managers promise the shareholders. This means that the downsizing spiral will be sped up by the shareholder model. Needless to add, this turbulent economic crisis period is not a time of guaranteed dividends.

A centerpiece of the "New Labour" policy of Tony Blair, who wants to be Britain's new prime minister, is this "stakeholder society" where labor is sold for an uncertain dividend.