

# Germany's Schröder under attack from all sides for 'Third Way' policy

by Rainer Apel

A pattern of severe election defeats since early September has exposed the fact that the present government of Social Democratic Chancellor Gerhard Schröder has lost the mandate of the people, and also the mandate of heaven. For most Germans, it is now only a matter of time until this government falls. The political scene in Germany is now diametrically opposite to that of late September 1998, when voters backed Schröder's Social Democratic Party (SPD) over Chancellor Helmut Kohl's Christian Democrats in the elections for the national parliament, in a landslide.

This shift is also underlined by opinion polls, the latest of which, published by the "Dimap" institute at the beginning of October, delivers an unmistakable message: Had there been national elections on Oct. 3 (the Day of German Unity), the Schröder government would have been voted out, suffering a humiliating defeat similar to that which was suffered by the Kohl government a year ago. The Dimap poll showed that the SPD's support is down to 31%, and its Green coalition partner is at 6% of the vote, whereas the opposition Christian Democrats would have received 48%. The neo-liberal Free Democrats, the former coalition partner of the Christian Democrats, would have been voted out of the national parliament, with only 4% of the vote, while the PDS, the former East German Socialists, would have improved to 7%.

While it is true that the improvement in standing of the Christian Democratic Union (CDU) and its Bavarian component, the Christian Socialist Union (CSU), reflects a windfall from both massive SPD voter abstention and SPD losses of leftist voters to the PDS, rather than a real, spectacular net increase of votes, it is also true that the 48% the dimap poll gave the Christian Democrats would make their position unassailable by any combination of other parties. It would even enable them to form a government without any coalition partner—something that has not occurred since the Christian Democrats of Chancellor Konrad Adenauer won a majority in the 1957 elections.

## Labor discontent

The loss of the people's mandate is reflected in the German labor movement's growing discontent with this govern-

ment. The conflict between labor and Schröder became most visible at the national convention of the biggest labor union, IG Metall, the metal workers, in Hamburg. There, IG Metall chairman Klaus Zwickel lashed out against the government in his keynote to the convention on Oct. 4, saying that the promotion of the ideology of neo-liberalism by leading Social Democrats and the present government runs against the fundamental values of the labor movement. Should the SPD and its national party chairman, Chancellor Schröder, stay on this course, the longtime tradition of close links between the labor unions and the SPD would have to be reviewed, Zwickel warned. He also warned the government not to forget that it was voted in a year ago, "primarily to fight unemployment, rather than to focus on debt consolidation."

In a swipe against Finance Minister Hans Eichel, Zwickel said that it is simply not true that there is no alternative to debt consolidation through budget cuts. The alternative, he said, would be to increase tax revenues through measures such as "increased taxes on financial transfers and currency speculation." This would allow the government to spare pensioners and the unemployed from budget cuts of the kind that are currently under consideration by Eichel, Zwickel said. The fact that the chairman of the biggest German labor union brought up the issue of speculation in his controversy with the Finance Ministry, not only reflects discussion among leaders of the German labor movement, but also it is an indirect indication of the impact that the LaRouche movement has had in Germany recently, with its electoral campaign slogan, "Support production, oppose speculation."

Faced with the prospect of an SPD-led government that plans to increase taxes and cut tax benefits in the range of 160 billion deutschemarks (roughly \$100 billion) over the next four years, just to keep debt payments to the banks flowing, the lower-income categories of the German population, those who will primarily be hurt by that "budget balancing," have begun to turn against Chancellor Schröder. Labor union members are increasingly enraged at the fact that the national jobless rate has not improved during the year that the Schröder government has been in power, and that it has even worsened in the eastern states of Germany, and at the fact that this government has so far shown no intention to abolish the anti-

strike clauses which the Kohl government imposed in 1986. For the labor movement, the Schröder government has unmasked itself as the continuation of the previous government's neo-liberalism.

### Fights over financial policy

The clash between labor and government, which is the main reason for the SPD's spectacular election defeats during September, has also caused noisy cracks inside the leadership of the Social Democrats. Since many unsettled accounts have accumulated over recent years, knives are now being pulled out among SPD leaders, and the positive net effect of this internal warfare is that some aspects of the truth are coming to the fore.

Most embarrassing for the Schröder entourage in this internal SPD warfare have been revelations made by Oskar Lafontaine, who quit his posts as party chairman and Finance Minister in mid-March. Breaking an unwritten taboo of party politics, Lafontaine has not remained silent until the scheduled publication of his new book on Oct. 13, but he has already made excerpts available to the media. Beginning with an interview in the Sunday edition of Germany's *Die Welt* daily on Sept. 26, the German media have leaked unpleasant details on the inner workings of the Schröder cabinet, in daily previews of Lafontaine's book.

Whereas personal brawls among SPD leaders, particularly between Lafontaine and Schröder, dominated the press leaks of the first days, insights into the deeper controversies over policy issues have become the focus since Oct. 1. On that day, *Die Welt* ran another interview with Lafontaine, in which he recalled that when he was in the cabinet, he wanted to initiate a debate on a reform of the global financial system, but that he was particularly criticized for that from among "Anglo-Saxon" circles. He promised that he has elaborated on this in his book.

The same affair was referenced also in a report of Germany's *Der Spiegel* weekly, appearing on Oct. 4. There, it was reported that when, after consultations with his French counterpart, Finance Minister Dominique Strauss-Kahn, Lafontaine arrived in Washington on Dec. 3, 1998 for talks about his proposals for certain reforms of the International Monetary Fund (IMF) system, Federal Reserve Chairman Alan Greenspan and U.S. Treasury Secretary Robert Rubin gave him the cold shoulder. A week earlier, *Spiegel* also reported, British mass tabloids had declared Lafontaine to be "the most dangerous man in Europe," because of his remarks on monetary policies.

Lafontaine's initiative never went far enough to seriously call the IMF system into question, as he himself emphasized; nevertheless, the few things that he did say, made some people in the City of London and on Wall Street very nervous. The after-effects of the outbreak of the Russian crisis in mid-August 1998 and the near-default of the Long Term Capital Management hedge fund in late September were still being very



Former Social Democratic Party chairman and German Finance Minister Oscar Lafontaine, whose new book is an attack on Chancellor Gerhard Schröder's drive for austerity. Lafontaine's rather timid moves to reform monetary policy led British tabloids to denounce him as "the most dangerous man in Europe."

much felt, and in Malaysia, Prime Minister Mahathir bin Mohamad had openly defied the IMF and imposed currency controls. Certainly, Lafontaine did not merit it, but in those days, the leading German news daily *Frankfurter Allgemeine Zeitung* denounced him as "the German Mahathir." The fact that Lafontaine decided to recall that period, with his select revelations, does add some spice to the present German debate about economic policies, and for that reason, he can only be encouraged to tell more.

On the SPD election defeats, Lafontaine said in the Oct. 1 *Die Welt* interview that they have not come as a surprise to him, because there have been "three deterring crucial experiences for SPD voters: That is, the Kosovo war, which violated international law. There is the Schröder-Blair paper, which is rejected by large parts of the SPD. And, thirdly, there is the budget-cutting package, which because of . . . announced cuts in pensions and unemployment benefits is not accepted by our voters." Lafontaine also said that already in the elections for European Parliament on June 13, "Voters slapped [British Prime Minister Tony] Blair and Schröder in the face," while France's Prime Minister Lionel Jospin and the French Socialists, who are going against Blair's "Third Way," did better. An excerpt from the Lafontaine book which was run by *Welt am Sonntag* on Oct. 3, said that the Kosovo war "discarded international law and was incompatible with the German Con-

stitution,” and that it “struck a nerve of Social Democratic views on politics.”

### ‘Bobo’ Hombach

In his book, Lafontaine also hits hard against Schröder’s chief adviser, Bodo “Bobo” Hombach, who has since been ousted: “As Hombach viewed himself as a Peter Mandelson [the ousted chief adviser to Prime Minister Blair] of German politics, he saw himself as a supplier of ideas and spin doctor. He hired a number of people who assisted him in that. . . . The work of this team, modelled exactly on the Anglo-Saxon example of the spin doctors, consisted of indiscretions and disinformation.”

Hombach is the co-author, together with Mandelson, of that joint Anglo-German memorandum which was presented to the public in London on June 7 as the so-called “Schröder-Blair Paper.” The memorandum is a distillation from *The Third Way*, the 1998 book by British author Anthony Giddens, who helped paved the way for Blair’s “renewal of social democracy.” The fact that Schröder lent his name to this initiative, provoked angry reactions among German Social Democrats, who charged Schröder and Hombach with planning to replace social democratic views with neo-liberalism. Schröder has also come under heavy attack by right-wing Social Democrats, including, for example, Hans-Jochen Vo-

gel, who chaired the SPD 15 years ago. On Oct. 6, Vogel charged Schröder and Finance Minister Eichel with using the debate about “budget balancing” as a foul pretext to promote neo-liberalism among Social Democrats. Vogel’s remarks were widely covered in the German media.

Addressing the Anglophile tendencies of the government leaders from another standpoint, Lafontaine also charges them in his book with jeopardizing the sensitive Franco-German friendship. Lafontaine writes that he has been “watching with deep concern, that Foreign Minister Joschka Fischer leans more toward [U.S. Secretary of State] Madeleine Albright and that Chancellor Gerhard Schröder states his sympathy for Tony Blair over and again.” This, as well as Hombach’s consultations with Mandelson behind the back of the French Socialists, Lafontaine charges, has contributed much to increasing French alienation from Germany, ever since Schröder took power.

Whether intentionally or not, Lafontaine’s much-publicized remarks are certain to intensify the debate in Germany about British influence on German politics. This is of benefit not just for Social Democrats, but for all Germans. Many will recall what the LaRouche movement has published on Britain’s control of politics in Germany over the years. The more debate on the British issue, the better it is for a Germany that is reunified, but has not yet regained its sovereignty.

For previews and information on LaRouche publications:

## Visit EIR's Internet Website!

- Highlights of current issues of EIR
- Pieces by Lyndon LaRouche
- Every week: transcript and audio of the latest **EIR Talks** radio interview.

<http://www.larouchepub.com>

e-mail: [larouche@larouchepub.com](mailto:larouche@larouchepub.com)

## The Way Out of The Crisis



A 90-minute video of highlights from *EIR*'s April 21, 1999 seminar in Bonn, Germany.

Lyndon LaRouche was the keynote speaker, in a dialogue with distinguished international panelists: **Wilhelm Hankel**, professor of economics and a former banker from Germany; **Stanislav Menshikov**, a Russian economist and journalist; Schiller Institute founder **Helga Zepp-LaRouche** from Germany; **Devendra Kaushik**, professor of Central Asian Studies from India; **Qian Jing**, international affairs analyst from China; **Natalya Vitrenko**, economist and parliamentarian from Ukraine.



Order number EIE-99-010. **\$30** postpaid.  
**EIR News Service**  
 P.O. Box 17390  
 Washington, D.C. 20041-0390  
 To order, call **1-888-EIR-3258** (toll-free).  
 We accept Visa and MasterCard.