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World Affairs

## Calculating to A Fault

**Angela Merkel once promised to rescue Germany from its torpor. But the country has had a change of heart about her reforms—and so has she.**

By Stefan Theil | NEWSWEEK

From the magazine issue dated Oct 29, 2007

This summer, a remarkable survey raised eyebrows in political Berlin. The Al-Lensbach Institute, a respected arbiter of the country's mood, found that 45 percent of west Germans (and 57 percent of east Germans) consider socialism "a good idea." Only 25 percent of Germans disagreed. Despite the country's disastrous experience with 40 years of communism, socialism's "magic allure" has steadily increased over the past decade and a half, from 36 percent nationwide in 1991, says Allensbach political analyst Thomas Petersen. "The Zeitgeist," he says, "has definitely shifted left." The Germans' growing love for leftist ideals contrasts sharply with the incredible boom of Germany's (mostly) capitalist economy. Last week, new numbers showed that parts of German industry are growing at double-digit rates not seen since the go-go 1960s, thanks in part to some decidedly unsocialist economic reforms. Over the past year, an unprecedented one million Germans left the unemployment rolls, cutting the jobless rate from its all-time high of 12 percent in 2005 to less than 9 percent today. Some categories of workers who used to have little chance of ever landing a job—like workers over age 50—are now also finding employment. And once again, Germany appears to be turning into an engine of growth for Europe.

So what accounts for the strange lurch left? (On the following pages, four experts weigh in on that question.) It seems as soon as the economy perks up, the willingness to face tough economic realities is gone. Now, this mood threatens to stop—and even unravel—the very economic reforms that helped unleash the present boom. In response, both parties in Chancellor Angela Merkel's unwieldy coalition government, the center-left Social Democrats and Merkel's own center-right Christian Democrats, seem to be falling over each other with proposals to roll back reforms, while she herself remains largely out of the fray. Whether it's more generous unemployment benefits,

handouts for families, or new minimum wages—"every single policy being proposed in Berlin makes an economist's hair stand on end," says Holger Schmieding, chief economist at Bank of America in London. Depending on how much of it becomes law, Schmieding says Germany's economic situation may once again darken. In any case, the brief Berlin Spring of German economic reform is over.

The shift is even more dramatic considering where Merkel came from. Born and raised in East Germany, she experienced firsthand what it means to grow up in an inefficient and unfree socialist system. In 2005 she campaigned for the chancellorship on a platform of radical economic change, promising wide-ranging deregulation and tax reform. The first two years of her tenure have produced real steps forward. Her government has lowered and simplified Germany's byzantine corporate tax, raised the retirement age from 65 to 67, and begun devolving power to Germany's 16 states. Thanks to the economic rebound—and a massive tax hike—the government expects to have a virtually balanced budget this year, for the first time since 1989. While this doesn't compare to the reform milestones under her predecessor, Gerhard Schröder, her balance is still solidly positive, Schmieding says.

Now she seems curiously aloof as she watches her coalition associates pick apart her agenda. The Social Democrats, whose rank and file have never forgiven Schröder for his cutbacks to their cherished welfare state, are hemorrhaging members and voters to a radical party called simply Die Linke—"The Left." Its chairman, Oskar Lafontaine, is a xenophobic populist, prone to declaring sympathy for Hugo Chávez and Mahmoud Ahmadinejad. The demagoguery seems to work: Die Linke now polls 11 percent, while the Social Democrats are down to 25; most of the rest of the left-wing vote goes to the Greens, at 10 percent. But a more startling indicator of the country's shifting climate is the broad support for Die Linke's policies. Two thirds of all Germans—including large swathes of Merkel's ostensibly conservative voters—agree with all or some of the party's platform, including reinstating the old retirement age, extending unemployment benefits, and pulling all German soldiers out of Afghanistan.

Indeed, it's astounding, and almost surreal, how deep the consensus against reforms has become—just at the moment when they are bearing fruit. Seventy-two percent of Germans say their government is doing too little to advance "social justice," the highest value for German voters. Eighty percent want welfare handouts raised and the retirement age lowered. Even among Merkel's conservatives, 71 percent say that companies like Deutsche Telekom or the energy utilities should be owned and run by the state. "Germans have changed their mind and want the state to regulate the economy again," says Manfred Güllner, president of the Forsa polling institute.

Jörg Lau, commentator for the weekly Die Zeit, thinks such sentiments aren't nearly as radical as they seem. They express, he says, a deeply conservative nostalgia for the security of the cradle-to-grave welfare state of the 1970s and '80s, before globalization and outsourcing began to spread insecurity deep into the middle classes. To Lau, the left-wing longings of a majority of Germans are really their retreat from what they perceive as a too-complex and hostile world. But whether radical or conservative, the trouble begins when such sentiment turns into policy. A proposed law to "protect" German companies against foreign hedge funds—fear of which the German media have done their best to fan—risks hollowing out shareholder rights, making it much harder to influence management. That would be a step backward toward the old days of "Deutschland AG," where lax governance insulated inefficient companies from meddling owners.

Privatization and deregulation have virtually stopped, which economists say makes it all but certain Merkel will not reach her goal of raising Germany's long-term growth. Come the next slump in growth, "it will be back to the German disease" of underperforming and overspending, says Otto Fricke, chairman of the Bundestag's budget committee, who also says both major parties have returned to their pre-Schröder tax-and-spend reflexes.

The most fascinating question is where Merkel herself stands on all this. Her one attempt to push through a major reform, deregulation of public health insurance, ended in squabbling and failure. Since then, she's avoided risky positions. She has declared climate change as the driving issue for the remainder of her chancellorship, an easy topic for winning approval. She talks about abstract notions of fairness and justice, and also about making Germany fit for globalization—and lets her

associates battle over specifics. "The basis of her popularity is that she doesn't get involved in policy," says G?lner.

What does she really want? Some consider her an opportunist who shed her reform persona the minute it was no longer expedient for keeping her in power. Others speculate she is a brilliant tactician who, given the straitjacket imposed by her coalition, is using her new green and left-of-center politics to expand support among middle-of-the-road voters in order to crush the Social Democrats in the 2009 election. The risk of Merkel's standing still is that the next economic downturn will show how skin-deep the country's first dose of reforms has been. But then, at least, we will know where she truly stands.

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Posted By: blackforest @ 11/05/2007 12:25:14 PM

Comment: FIRST PART

our translation from STERN Magazin no. 42/2007, p. 52 , Oct. 1o.

Our Heart So White, Unser Herz so weiss

The CDU ( Christian Democratic Union party) has lost its politico-economic competence, now the CDU holds out its hand for the extension of the unemployment pay. A never delivered speech by Merkel???'s critic Friedrich Merz reveals the unrest among the Blacks.

Heckler???'s Shout from Berlin by HANS-ULRICH JOERGES

Dear Friends, I???'m happy to see all of you again after such a long time, although the occasion is extremely unpleasant. Our circle is small, very small, and we are meeting under practically secret circumstances; nowadays, however, meeting under different circumstances is practically no longer possible in our party without exposing the participants to a high risk for their political career. Volker Kauder and Norbert Roettgen have requested to be excused from attending. As you know all too well, both of them have decided to serve the Lady from the East, which requires total dedication. It makes me all the much happier, though, to see that Josef Schlarmann and Michael Fuchs, the last upright members of our middle class, have shown up. I had to promise these friends, however, to remain silent about their attendance. Everybody knows what will happen to them if word goes around. (Grumbling, reluctant applause.)

Dear Friends, we have gotten right to the subject. Our CDU has no more politico-economic heads. And it has lost its competence with respect to political order. That is a dramatic process, although it has not really been noticed yet by the public. The CDU has lost its programmatic heart. This heart???'s former place is now white! (Lively applause.)

I have realized this earlier than others, and have drawn the necessary conclusions. I did not want to burn myself in an hopeless fight with the Lady. The friends who stayed have surrendered, or they were subjugated. Volker Kauder and Norbert Roettgen I have mentioned already. Matthias Wissmann has fled to the automobile industry. Roland Koch plays the Lady???'s game. And whatever Guenther Oettinger did not do to himself by delivering his unfortunate speech, the Lady finished up without hesitation. Nowadays, he is no longer a person of weight. (Babble, calls: We have abandoned him!)

These days, I am being urged to take a public stand against the removal of the politico-economic core of the CDU. Once more, some are advising me to establish a new party. However, I will not become the Oscar Lafontaine of my party, although any more, I am hardly able to recognize it as such. Furthermore, I do not want to spare the cowards the moment of disgrace, when they consent to the extension of the unemployment pay out of plain populism, arm in arm with Kurt Beck???'s SPD which has turned to the left.

Posted By: blackforest @ 11/05/2007 12:19:41 PM

Comment: SECOND PART

our translation from STERN Magazin no. 42/2007, p. 52 , Oct. 1o.

Against their own conviction, that is the disgrace in the disgrace. Not even in my worst nightmares of that Lady, I would have imagined that Franz Muentefering would some day appear to be the most daring reformer, with the CDU being located to his left. The CDU, dear Friends, is no longer a reform party, it is softened, without principles! (Shouts of bravo, long applause.)

Six decades of successful trademark establishing have been smashed in only one year. Since the party convention at Dresden, when the Lady had Juergen Ruetters???' suggestion to extend the unemployment pay period for older people adopted as a resolution. All of you know what I think of Ruetters. NOTHING would be an exaggeration. (Laughter.) Ruetters sucks up the political genetic code of the opponent! (Wild applause.) The Lady, however, went for the party convention???'s resolution because she counted on the SPD blocking it in the coalition. Now our resolution is a heavy weight dropping on our feet. Still demanding a politico-economic and a socio-political revolution during the 2003 party convention at Leipzig, we are giving up now. We are handing out sweet poison ??? an extension of the unemployment pay, minimum wages???' (Heavy commotion, shouts of disgust.)

Ludwig Erhard knew why he never joined the CDU. Can you hear the noises from the cemetery? Erhard is rotating in his grave today. Today, Horst Koehler is our last steadfast fighter for the reorganization of the welfare and fiscal state. Today, the FDP appears like the outsourced politico-economic working group of the CDU. Imagine our Minister for Economic Affairs, Michael Glos, being a Social Democrat ??? we would chase him through all the Chambers of Industry and Commerce in the country! (Strong applause, whistling here and there.)

My prognosis is gloomy, dear Friends. When the 2009 elections take place, five Social Democratic parties will be fighting: the Left Party, the SPD, CDU, CSU, and the Green Party. It may be possible to win the Nobel prize by saving the global climate, but that is not enough for 40 PLUS X! The Lady is counting on the positive economic situation. But among the voters, the pessimists regarding the economic situation dominate the optimists again: 37 versus 32. In July, it was still the other way around: 29 versus 38. I am aware of the unrest among the CDU. Surely a considerable unrest. But unrest does not suffice! A revolt is what it would take. Have the courage for it! (Slight applause, shouts: And you, Friedrich?)

Posted By: blackforest @ 11/05/2007 10:21:55 AM

Comment: Blackforest English-Translation of comment in German10/31/2007

This Newsweek article dated 29 October 2007 about Ms Chancellor A. Merkel was overdue! As this article confirms, such an outspoken statement is no longer possible in the German-speaking press (Switzerland, Austria, and Germany); i.e. to write openly about the development toward a DEMOCRATIC SOCIALISM, which cannot be overlooked any more, and which is nothing but a cover-up of a tendency toward Neo-Communism, i.e. since the so-called WENDE (time of the German reunification), BANDITS cooperating with a Neo-KGB and a Neo-Stasi have been filling their pockets with hundreds of billions (gas and oil in preparation and/or will follow) without being prosecuted ??? which I am able to prove (documentation is stored on external data storage media - SOS from a Dead Man walking). Regardless of the reasons Newsweek may have had for publishing this article and the related comments, it may be considered a key article for Newsweek and the Washington Post, respectively, and their owners and persons in charge, or maybe even a beginning, comparable to Watergate! As a friend of America (therefore having been called an AMERICAN JEWISH PIG), I???'m happy to see that the American people have learned from the past and, after having experienced two World Wars, do not wait until the next big bang takes place and their sons

die as soldiers overseas, but think ahead about disclosing the actual situation and/or asking questions as long as Germans still have the guts to speak up (cf. STERN magazine no. 42-2007, page 52, OUR HEART SO WHITE - UNSER HERZ SO WEISS by commentator Hans-Ulrich Jürges). Anyone reading this Newsweek article and the above-mentioned HECKLER'S SHOUT in Stern will be well informed. Mr. Bush may address Ms Chancellor Merkel and Mr. Putin accordingly. Peter Heimig, 68, Founder of TAX FREE SHOPPING EUROPE cf. google Peter Heimig  
Did you know that from Germany, you cannot contact U.S. Senators by E-mail any more? Did you know that Litwinenko had sent out an S.O.S. to America via a U.S. Consulate without any success. Would you believe that this Newsweek article could have also been written on the basis of my family's situation on the German island of Ruegen, which happens to be Ms Merkel's electoral district? If there will be a new world order aircraft carriers and hundreds of billions for weapons will no longer count, but print media ( cf. Oct. 10. 1939 Gesetz zur Gleichschaltung der Presse: RGBI. I, S. 713 ff, until 1945) and TV will defeat aircraft carriers. Peter Heimig: I trust in God.

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