

# The Third Way to the Servile State: A Green View

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*Two prominent Greens state their reaction to the Third Way debate, continuing the discussion started in our previous issue. There we featured the complete text by British Prime Minister Blair and German Chancellor Schröder entitled 'The Third Way/Die Neue Mitte'. Slight cuts have been made to this text for reasons of space.*

## About the end of a strategic project

One year after the change in government, the Social Democrats and The Greens\* are engaged in fundamental discussions about aims and objectives. Practical government has been a sobering experience both for the party members and the general public. The Government has not developed a distinctive, common image. On the contrary – the first six months, until the start of the military intervention in Kosovo, were marked above all by the motto: 'Schröder against the Greens, Lafontaine and the coalition agreement'. Moreover, Schröder made it clear on several occasions that he had the strategic option of forming a grand coalition under his leadership, as well as a small socio-liberal coalition, without holding new elections, while the Greens had no alternative to the Social Democratic Party (SPD). The sudden resignation of Oskar Lafontaine abruptly revealed the full extent of the conflict over policy and the leadership crisis in the SPD. Suddenly, it seemed as if the strategic convergence between the SPD's Berlin statement of core values (and its updated Leipzig version of April 1998) and the election programme of the Greens did not exist.

The 'Schröder-Hombach-Clement Connection' had already tried, throughout the entire 1998 election campaign, to undermine or counteract key policy objectives of the red-green reform project. This strategy was subsequently directed at the result of the coalition negotiations, which bore the strong hallmark of Lafontaine's key role in those negotiations. The power struggle between personalities within the SPD was closely linked with a struggle about 'subordination under a socio-liberal ideology' and 'de-environmentalisation' of the policy

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\*We have used 'The Greens' to denote 'Bündnis 90/Die Grünen' ('Alliance 90/The Greens'). This grouping was formed in 1990, comprising Die Grünen from Western Germany and some other political forces from the former German Democratic Republic.

objectives. With the outcome of the power struggle, symbolised by the resignation of Lafontaine, the basis of the coalition programme for a joint red-green reform project, with a more far-reaching claim to shape social policy, has de facto disintegrated. The Greens have, so to speak, mislaid the 'natural' strategic partner. The SPD left wing, which is still giving credible support to this project, has been politically marginalised. Red-green as a project of social policy thus came to an end before it had even begun. The coalition is entering a new stage of development, in which it is clearly assuming the features of a government project rather more motivated by power politics.

This decisive turning point was substantially eclipsed by the decision in favour of military intervention in Kosovo. It catapulted the Greens into a profound crisis, especially once the illusion that Belgrade would quickly cave in was shattered, and the conduct of the war was widened into a strategic bombing campaign against the entire Yugoslav infrastructure: a red-green war to support human rights in Kosovo. The left, which until then had dominated the national party conferences, split into at least three factions in the quarrel about this government claim. One of these won a slim majority in favour of critical support for government policy at the party conference in Bielefeld. The key questions of financial, tax and economic policy, which are particular hallmarks of the new phase of the coalition, remained virtually undiscussed in this situation. The party was largely paralysed by painful debates about the war. The previous positions within the party were in disarray.

### **The new strategic confusion**

The publication of the Schröder/Blair paper in favour of a socio-liberal transformation of European social democracy shortly before the European elections, and the presentation of the cost-cutting budget by Hans Eichel, characterise the theoretical and practical aspects of a strategic initiative to redefine the coalition programme. The right in the Green Party sees this as the green light for a new struggle over policy in their own party. In 1998, they had remained clearly in a minority with their positions on budgetary, tax and pensions policy. Now, they merge so easily into the 'socio-liberal mainstream' postulated by Eichel and Schröder that they run the risk of becoming politically indistinguishable. The party centre (objectively represented by the 'moderate' realists and parts of the so-called government left) go along with it while grumbling, but have been caught unawares, and the left is so shocked it is lost for words.

The conflict is not in fact about the necessity of taking firm steps to consolidate the budget by reducing the deficit. What is at issue is whether the cost-cutting involves any discussion about how policy is shaped and implemented. To put it differently: using a lawnmower should not, on the one hand, result in leaving the weeds alone, and neither should the red-green flower beds simply be cut down. For example, putting an end to the Transrapid railway development, which unfortunately has so far not happened, would have resulted

in annual savings which would have meant that the promise of a modest increase in the development aid budget (which is now being cut by DM 700 million) included in the coalition agreement, would not have had to be broken. Not to mention the possibility of disproportionately large savings in the defence budget, for example by the long overdue abolition of compulsory military service. And anyone talking about savings should not declare possible increases on the income side as taboo either. Such a discussion – not to mention pushing such issues in the SPD, which is itself in quite a lot of turmoil about it – has not been initiated in the leading Green forums.

Creative saving and structuring should not be confused with traditional austerity policy. It is precisely around the arguments about the practical constraints of an austerity policy that a cross-party ideological block is emerging in the coalition, of those advocating the socio-liberal ‘Third Way’ as an alternative to the strategy of socio-ecological reform supported hitherto. The Free Democrats (FDP), in high spirits, claim the copyright for this policy. The right wing in the Green Party sees itself as spearheading the new line. SPD leftists and Green leftists no longer see an option in the political power game for their convergent policy objectives. For the Party of Democratic Socialism (PDS), red-green as a strategic reference point for its camp strategy has been lost. And the Christian Democratic Union/Christian Social Union (CDU/CSU) suddenly manoeuvres along the lines of traditional welfare state policy like a conservative social democracy, and on the other hand agrees with Schröder, but doubts whether he is capable of asserting himself. For the voters, the situation is getting extremely confused. The German party system is in a period of dynamic change. That will undoubtedly continue at least until the regional elections in North-Rhine Westphalia in May 2000. In this situation, the aims and objectives of all parties must – on penalty of political defeat – be newly justified. The strategic consequences arising from the changed situation must be examined soberly and without taboos. Some of these consequences are immediately obvious.

### **From privileged partnership to result-oriented bargaining**

The concept of forming a red-green reform block operated on two premises: on the one hand, with the idea of a ‘natural’ partnership through a programmatic convergence between the SPD and the Greens. On the other hand, with the idea that this strategic partnership should not be allowed to be compromised at any political level by alliances with the CDU/CSU and, at least at the level of national policy, by alliances with the FDP or PDS. Both premises have become obsolete.

After the ‘Schröderisation’ of social democracy, any privileged political commitment by the Greens to the SPD would be a strategic stupidity.

By pursuing a course of adapting to Schröder’s ‘Third Way’, the right wing of the party is pushing the concept of ‘natural partnership’ to the right, instead of freeing itself from this trap of susceptibility to blackmail. At the same time, it increasingly calls into question the programmatic autonomy of its own party. The

left wing of the party will only have a future if it faces up to this new situation. First of all, it must develop, without dogmatism, the autonomy of green politics as an expression of a basic current in society alongside conservatism, social democracy and liberalism. Secondly, it must rigorously tackle its own adopted dual taboo of co-operation with the CDU and the PDS.

In future, the maxim must be: we can negotiate, depending on election results, with everyone, we will do a deal, given acceptable results, with whoever makes the biggest concessions to Green aims. To spell it out: it does not make sense, for example, to exclude as a matter of principle a red-green coalition in Berlin that includes the PDS; nor does it make sense to announce, in North Rhine Westphalia for example, a priori an unwillingness to outmanoeuvre the arrogant, rigid SPD with the help of a CDU which is potentially ready to negotiate, after decades in opposition. Where the balance of power is open, greed can be a powerful ally. Participation in government must always be strictly judged by the results. And without the option of opposition one cannot stand firm in government.

To make sure that no misunderstanding arises that can be exploited by the media: we are not pleading that The Greens should take the initiative and terminate the red-green coalition at the national level or in North-Rhine Westphalia and pursue a black-green alliance from now on. That would be completely wrong. Things are obviously not that simple. The current political shape of the CDU offers no basis for forming a coalition. We need not have any illusions about how deeply the right wing of the Christian Democratic party is mired in brown mud. In particular, as long as this party stokes up racist sentiments in order to use them for populist campaigns, as in relation to the law on citizenship, such an approach is ruled out. However, the 'lower' the political level is, the greater will be the tactical room for manoeuvre to push through green objectives. We are also aware of the clear struggles over policy in the CDU, whose outcome is as yet undecided. For example, the promised change in policy direction announced by the North-Rhine Westphalia party chief Rüttgers should be analysed just as minutely as the policy changes in the SPD. Only one thing must not happen: that at all levels of policy, the SPD can choose to sideline a possible red-green majority and instead form majorities with the CDU, the FDP and the PDS, while the Greens are committed to 'camp loyalty', so that they consider only constellations with the SPD as conceivable. We must get out of this trap of susceptibility to blackmail – and this strategic consideration must be part of the debate about a statement of core values and framework policy statement.

However, it is precisely when an open coalition strategy is being pursued that a distinctive image based on clear policy objectives is important. Because only if the voters are convinced that the Greens care about social change, and not simply about government posts, will they support such a policy. That is why the preparation of an uncompromising statement of core values and framework policy statement has become a matter of survival for The Greens. The following working theses are intended as a contribution towards this.

### **1. A new social contract based on ecology and solidarity as a strategic concept**

Today, we have to take note that it was not possible, in the period from 1994 to 1998, to gain broad acceptance for the strategic idea of a new social contract and succeed in mobilising society in favour of it. Our plea is that, in the coming months, while preparing a new statement of our core values, we should have a thorough discussion about the reasons. We wish to address some of these here:

– Both the position of the new middle classes, as well as that of the industrial workforce, have undergone a dynamic change during this period. Economic competitive pressure has become even stronger, the risk of unemployment, and thus of social exclusion, has increased. In the workforce, the objective context of solidarity is being undermined. The gap between individual income groups is widening, because one group of well-qualified elite employees is increasing its earnings while low incomes are being further depressed under pressure of mass unemployment. Outsourcing, new self-employment, precarious part-time jobs and hiring out of temporary workers are leading to a new division of labour, which is increasingly dividing society into elite employees and people doing basic jobs. In addition to these social divisions, entire regions are increasingly being decoupled, as is the case to a large extent in east Germany. Under such conditions, the willingness to make economic sacrifices in favour of a new historical compromise based on ecology and solidarity is waning.

– An ecological tax reform and an ecological investment programme for the future cannot simply be enforced politically from the top down as a sort of ‘passive revolution’. Civil society must want, and support, a change away from consumerism, and a different model of prosperity. This willingness has markedly declined since 1994, as opinion polls clearly show. Here, the green election programme of 1998 has an Achilles heel. It has largely reduced the policy of ecological change to the introduction of eco-taxes. By doing this, the tools of regulatory policy and industrial policy have clearly been pushed into the background. The effectiveness of the necessary social equalisation measures is not sufficiently clearly visible. For the general public, the impression was created of a neo-liberal ecological blueprint based on a market radicalism: they want to regulate everything through the market, that is via price rises. They don’t care about the ‘little people’ anymore.

Such an impression virtually acts as an explosive charge against the idea of a new social contract based on the environment and solidarity.

– Against the background of radical social change, a faction fight broke out among the social democrats which lasted several years and which, at the level of personalities, led from Scharping via Lafontaine to Schröder, between 1994 and 1998. The latter categorically postulates the priority of industrial over ecological interests, clearly sides politically with big industry (the ‘comrade of the bosses’) and the new ‘modernising elite’, i.e. the core of well-paid skilled workers and the economically successful section of the ‘new self-employed’. His concept of the ‘new centre’ does not, therefore, see itself as counteracting the trends towards a

rejection of solidarity in society, but rather uses these trends as a political sounding board to call for a re-evaluation, at least in parts, of the idea of the welfare state.

Social cohesion and the protection of the environment will certainly not be achieved without a balancing of ecological and solidarity interests in a world of global markets geared to consumption, production and service. This basic premise of the green strategy of a social contract based on ecology and solidarity will remain correct in the year 2000, too, and thus expresses an overarching cross-sectional social interest. However, in the changed social circumstances of a fiercer battle for a share of resources, such an alliance will only be achievable if the deficits in the strategy, which have emerged in the last four years, are systematically removed. The new developments, which relate to the emerging service and knowledge-based society, are central to this need for adjustment.

The main task will be to win the support of those working in the new communications and knowledge-based industries, the new self-employed, as well as those in precarious working relationships, for a social policy option based on ecology and solidarity. Without their active participation, the necessary renewal of the social contract will no longer come about. Their interest in self-determination when shaping the new conditions does not, in fact, tie them particularly closely to the proposed neo-liberal policy – even if they initially saw it as giving them individual opportunities. A renewed green strategy can and must win them over politically.

### **The ‘Third Way’ – a solution for the problems of transition to a ‘service society’?**

All political tendencies are agreed today in their description of German society as an industrial society blocked by a reform bottleneck. But answers as to why this is the case generally come up with glossy generalisations, which have little explanatory value. If, a few years ago, we were still said to be on an unstoppable march into the ‘post-modern age’, now almost everyone is discovering, in the era of ‘globalisation’, a ‘need for modernisation’ without which the move into the service society would be blocked. Suddenly, the talk is of a ‘second modern era’ (Giddens, Beck), with ‘modernisers critical of modernisation’ appointing themselves as the spearhead. The concept of ‘sustainability’, which was originally critical of growth, is deftly developed into ‘sustainable growth’, or the simple process of a savings package to curb the national debt becomes transfigured into ‘sustained budget policy’. Such a mass of rhetorical acrobatics suggests a cover-up of unsolved problems.

It is our view that the discussion about an effective national economic strategy for ecological and social conversion under the conditions of global markets for consumption, production and services has been stuck in a cul-de-sac since the debate about Reagonomics and Thatcherism. The response advocated by this Anglo-Saxon economic model to the crisis of traditional ‘Fordist’ large-scale industry is to help the new services and knowledge-based products to unfettered

growth by deregulating investment, labour and social legislation, and subsequently by drastic wage cuts. The welfare state of the West European type is seen above all as an obstacle to growth, and is to be thrown in the dustbin of history, together with 'Fordism', the post-war model of capitalist revival. Since the volume of paid labour has clearly increased as a result of this policy, at least in the USA, the representatives of capital, and parts of the public taken in by it, once again see this model as being on the political offensive.

As a response to this the left, particularly in Western Europe, developed a defensive strategy of defending 'Rhenish capitalism' (Michel Albert), combined with the idea of an ecological modernisation of the national economies. Unemployment was to be reduced by public-sector employment measures, employment-generating tax and monetary policies, shorter working hours and systematic support for an 'environmental industry', and the system of regional collective wage agreements defended to protect a 'normal employer-employee relationship' in the face of global 'locational competition'.

The growth in the unemployment figures, and the undermining of the collective wage agreements, together with the increase in national debt, has shown for some time that this strategy underestimated the world-wide impact of neo-liberal policies and the dynamic in the radical changes of production structures.

The logical conclusion which the theoreticians of the 'Third Way' draw from this is to 'softly' capitulate to the American way. They want to achieve the economic push of a low-wage sector to establish the new services and knowledge-based products, without enforcing the negative social (and possible political) consequences in all their rigour. This social cushioning is to be achieved with the tool of the state-subsidised wage. The dilemma of this strategy is obvious: for one thing, it requires a substantial increase in government transfer payments if it is to be applied seriously, which can hardly be squared with the simultaneous reduction in government debt. Furthermore, such a low-wage sector will, of course, break up the old wages structure in the medium term and put enormous pressure on the level of 'normal wages'.

This in no way solves the cardinal question of contemporary radical social change: how to support the move into the production structures of the service and knowledge-based society and increase the volume of gainful employment (with the consequence of higher tax and social insurance revenue) without starting a downward spiral of wage levels? How, on the contrary, can this be achieved with greater distributive justice and, in particular, without the exclusion of growing sections of the population from a stake in society?

### **From a social contract based on social ecology to a social contract based on capitalist ecology?**

The strategy proposals put forward by the right wing of the Green party have little political plausibility in this respect, either: competing with the FDP in shifting the 'Third Way' line of argument on social issues to the right with liberal economic

positions, and treating the ecological issue in this context primarily as a problem of environmentally-oriented support for technology does not solve the problems set out. The strategic change from a social-ecological force to a capital-ecological part of liberalism narrows down the social base of green politics precisely at a time of radical change. Thus, the researchers on voters attitudes, Jürgen Falter and Kai Arzheimer, note in their evaluation of a corresponding empirical survey quite simply: ‘A bold party-political repositioning in terms of a real move to the right in the party’s policies promises little success, indeed, it carries with it such high risks that it could break the Greens, or actually annihilate them.’ (FAZ, 31.8.1999) The narrowing of the party’s political image, which is inextricably linked to this process, to one of a party supporting economic liberalism, the environment and citizens rights, will quickly lead to the position where the environment is considered as a luxury issue for those on higher incomes.

How far the retreat from substance to interchangeable phrases, linked to the establishment of a backward-looking position between the state and the market, can go, was impressively demonstrated by the North-Rhine Westphalia construction minister Michael Vesper in June, when he formulated six theses for a ‘new’ green image:

- Safeguarding of citizens and human rights, protection of minorities;
- liberal attitude and tolerance towards people of different views;
- a fundamental scepticism toward an all-powerful and all-encompassing state;
- orientation towards an ecological, market-based and not state-planned economic policy;
- an improvement in education at all levels;
- reservations regarding large business and social organisations and monopolies.

Such an image, marked by liberal traditions in the best sense, is not represented in the spectrum of political parties in Germany outside of the Greens. We must strengthen it even further in the future.’ (Weitwinkel. *StadtBlatt*, 17.6.1999).

Support for human rights and education, cosmopolitanism and tolerance, scepticism and reservations about large organisations – a distinctive image? One could shrug one’s shoulders and ignore the banality of this idea of an image if it did not play out, in abstract, an ecological, market-based economic policy against a state-planned one. Here, a key issue of social debate is presented so wrongly that the decisive issue is being suppressed.

A national economic strategy to combat mass unemployment and to push through ecological structural change must today come up with proposals for a qualitatively new interlinking of policies promoting employment and supporting the economy. It is not a question of deciding between government intervention and conformity to the market (as preached for decades by Milton Friedmann), but rather their intelligent interlinking.

We therefore argue that, as part of the preparations for the new statement of core values, the discussion about developing an ecological industrial policy with product-related support strategies should be moved to the centre of the debates about the future of gainful employment and the directions of ecological reconstruction.



A starting point for this is offered by the party's earlier discussion of aims and objectives. The 1998 election programme states:

'Mass unemployment cannot be overcome with the traditional methods of economic and labour market policy. It is not possible to achieve the economic growth rates that would be necessary in order to compensate for the rationalisation potential of modern technology, nor are these ecologically acceptable. Full employment must be redefined. Typical work profiles will become even more diverse and individual in the future. The idea of the 'normal male employee' – working in the factory for 49 years, 49 hours a week – is no longer an appropriate social model. For BÜNDNIS 90/DIE GRÜNEN, full employment means opening up the possibility of securing a livelihood through gainful employment for all those seeking work, women and men. The future lies in a new distributive justice, in order to safeguard the different forms of gainful employment and other productive activities such as family and care work and periods of gaining qualifications, both legally and financially, to link them together, and to facilitate the transition periods'.

However, the election programme gives no practical details about the strategy of integrating the labour market policy with a policy of promoting the economy and industry. This conceptual deficit is, in addition to the narrowed-down concept of an eco-tax, a further Achilles heel of green politics. That is why our party, and in particular the faction in the Bundestag, gets into a complete muddle when confronted with the strategy of the socio-liberal 'Third Way'. Some quickly see themselves as the spearhead of this policy, others see a defensive and stalling policy as the last opportunity of preserving a social approach – but no new conceptual outline of our own has yet been developed.

Our working thesis for such an alternative economic plan is based on a systematic promotion of regionally established companies, through which the effects of an ecological reorientation of production can be linked with a permanent employment effect. Here, we particularly stress the considerable potential of the crafts trade, as well as new forms of issuing public tenders.

Present labour market policy cannot cope with mass unemployment. Its approach is geared mainly to giving 'individual support' to the unemployed. The policy of supporting trade and industry pursued until now continues to back as its central plank the development of traditional large-scale companies. In contrast, we are proposing a new policy of support to trade and industry which gives effective and ongoing support to entrepreneurial innovation in socially and ecologically desirable sectors. It can be funded to a large extent by reallocating existing funds.

The successful reintegration of unemployed people in the labour market through job creation measures is increasingly becoming an illusion, given the economic situation in many regions. Substantial proportions of the funds for such measures could be used more sensibly as part of a different concept of promoting employment. Today, a considerable proportion of the funds of the joint national-regional task of 'promoting the regional infrastructure' is put into big industrial and infrastructure investment projects filling the landscape with concrete, based on the pattern of economic development of the 1950s and 1960s. The money

spent on these could also be used more meaningfully for a new strategy of supporting enterprises: crafts workshops could – as part of energy-saving programmes – carry out comprehensive, cost-effective heat insulation in flats; service agencies could be enabled to offer socially secure jobs to people working in the black economy or in ‘precarious’ jobs by permanently paying for ‘personal support services’ (for example caring for sick or old people), and provide them at socially graduated prices wherever they are most urgently needed but could not hitherto be paid for. Public-sector enterprises (employment companies, job pools) could support regional restructuring processes by offering social contracts. At the same time, they are in a position to ‘reserve’ qualified workers for an expanding crafts trade or for service companies. Municipal and regional bodies can act as ‘demanders’ of politically desirable new products (for example solar roofs) and services (e.g. debt counselling), in order to assist them in breaking into the market. The basic principle remains the same: while the market decides what practical services are wanted on what scale, and who is best suited to provide them, the political arena decides that certain ecologically, culturally or regional-economically desirable services are also available on the market.

Such a decentralised government strategy of supporting companies and stimulating demand is fundamentally different from traditional Keynesian global control by central government. Here, market mechanisms are an integral part of the strategy from the start, and ensure the fine-tuning.

Of particular importance in this context are also concepts of a public-sector-supported employment sector, and their link with an alternative policy for the medium-sized enterprises, which must look at the paramount employment effect of the craft trades in particular. The creation of a ‘third’ economic sector, alongside the private and the government sector, is the strategic issue here: infrastructural work at the level of the local economy, urban and rural repair work, social and cultural work must be integrated by the left into a broad approach of support for employment and the crafts trades. We need an ecologically-oriented industrial policy: promotion of trade and industry, ecological conditions placed on production, and the implementation of shorter working hours. The presentation of the ecological reconstruction programme must be freed from the suspicion of market-driven, anti-social forcing up of prices. The eco-tax as a tool of environmental policy must be put in an appropriate place alongside regulatory and industrial policies. Only then is there a chance of winning majorities from the grass roots in favour of a social contract based on ecology and solidarity.

## **2. Political ecology today:**

### **Enforcing the ‘principle of responsibility’ in the market**

The strong focus the Greens have placed on the tool of eco-taxes in their strategic discussions on environmental policy has put them on the wrong political track when evaluating the relationship of the market to government policy of setting conditions and sanctions. The presentation of the Green programme increasingly

gives the impression that, in the age of an 'efficiency revolution' thanks to 'digital capitalism', environmental policy could focus on making sure that 'prices reflect the true cost', through appropriate framework regulations. The basic strategic conflict of political ecology, between the requirements of sustainable development and the status of economic growth in measuring social progress, becomes almost invisible from this perspective. By using the magic formula of 'sustainable growth' through eco-technology, it appears to dissolve into thin air. This is the emergence of a political lie which must be strongly contested, and this is where a basic conflict exists with the present, predominant ideology of modernisation.

It continues to be correct that eco-tax is a tool to stimulate, stabilise and maintain ecologically acceptable development in certain sectors. But on its own, it is not sufficient to rapidly and significantly effect change: it is either so high that it forces a change in behaviour, then it is of necessity also massively detrimental in social terms – by making such behaviour the privilege of a small category of rich people. This is more than counterproductive for developing an ecological awareness in the people who are 'excluded' by such measures. The necessary social acceptance cannot be achieved in this way. The fact is that the easily operated, central lever for changing overall social trends does not exist. Rather, the urgent need is for the conscious and active participation of the majority of people in implementing ecological changes for each effective strategy of reconstruction.

Or the eco-tax remains of a magnitude where it is hardly capable of triggering effective changes in attitude (and will possibly also be counteracted by price fluctuations in international markets). In this situation, the question which is of greatest interest is what happens to the money that has been collected: does it disappear in the huge government and social security funds, or is it used as seed money at strategic points of vital structural change. Here, the criticism put forward by many on the left of the view that a reduction in social security contributions by a maximum of 1% could definitely not be seen as such a 'strategic investment' remains valid. 100,000 roofs or zero-energy house programmes would be markedly more effective investments.

### **Holding the market participants responsible – learning from the USA about environmental liability**

We argue for an environmental policy which holds the suppliers of products and services responsible. This is the case in the United States, where companies are subject to a legal 'risk liability' including for risks which may, at the time of decision-making, still be unknown. And the burden of proof must be regulated in such a way that those affected stand a fair chance. Furthermore, the preconditions must be created to enable real decision-making by consumers in the market: a comprehensive duty to label products, access to product information, regulations to ensure the accuracy of advertising.

But even within the framework of such a market-related environmental policy, democratic politics cannot withdraw from this area of policy. Corporate

commitments must be linked to clear targets (e.g. the CO<sub>2</sub> reduction targets of Rio), which must be achieved within a specified time. The choice of suitable means can initially be left to creative competition among the companies, say for 5 years. However, if it transpired, when checking the results, that the prescribed targets had not been reached in this way, then more binding political requirements must be imposed: for example, the processes and tools which have proven to be most effective can then be generally prescribed .

### **Pursuing new approaches to licensing policy**

Corresponding processes of a democratic and competitive opening of administrative procedures can also be found for other fields of environmental policy. Sweden, for example, has developed innovative tools for the licensing of chemical products where competitive tenders are issued, for example, for the least toxic product to solve a specific task. Norway is testing, in a broad consultation with all affected social interest groups, whether there is actually a relevant need for a particular product, before starting the approval procedure. Only through such an effective integration of the tools which are, in the narrow sense, market-type instruments, can we prevent their failure or misuse by private monopoly companies to strengthen their market position.

### **Taking full account of the ecological costs**

Such a market-related environmental policy, which does not abdicate its claim to have a democratic aspect, must insist on the comprehensive inclusion of hidden ecological costs. These include both the ‘ecological package’ accumulated in the life of a product so far in terms of material and energy consumption, and the indirect but measurable consequential costs. This is, however, by no means simply a question of pricing. It also requires a policy of strengthening the rights of consumers. This also applies, for example, to the health service, whose economic and social importance will undoubtedly continue to grow. Why should the health insurance funds not recover the increased costs of treatment caused by smoking or amalgam tooth fillings from the responsible producers via corresponding private prosecutions? Why should people who increasingly suffer from allergies not be able to sue the largely responsible polluting industries for damages? Pseudo-regulations by the government authorities in this context merely serve, in the end, to absolve the companies from their responsibility. A radical turn towards market processes, with clear legal responsibility, would make the situation much more transparent and could strengthen those forces within industry which are prepared to substantially improve their environmental behaviour in their own long-term interest.

### **The protection of the ecological ‘common land’**

Major problems concerning human activity in the market reach beyond the horizon of a market-related environmental policy aware of its limitations: this includes all the problems related to the ‘common human heritage’ on which no

price can be put, and which cannot therefore be traded either, such as some global ecological systems (climate, the ozone layer of the atmosphere), biodiversity as a whole, or specific ecological systems (e.g. primary forests, mud flats, coral reefs, deep sea regions, Antarctica). This requires that their existence is protected across borders and guaranteed by public institutions. It leads to both general material and energy-related restraints on production and consumption so as not to overload the carrying capacity of these systems, as well as to specific measures to protect them against destructive intervention and use. Both include the necessity to set limits to private acquisition and thus to economic markets by, for example, specifying the legal categories of a 'common human heritage' and 'ecological common land' for these areas and make them binding.

### **3. Equitable sharing of burdens and tax relief as key problems of a political strategy of financial stabilisation**

The debt disaster of the Kohl era has two origins. On the one hand, the economic problems of German unification were grotesquely played down in order to win elections with the promise of flourishing 'landscapes'. The costs of the transfer payments for the integration of the 'new regions' were largely funded by borrowing. At the same time, a tax policy aimed at redistributing the burdens along the lines of neo-liberal theory was implemented: while the burdens of income tax and social security payments rose steadily, those in receipt of incomes from entrepreneurial activity and wealth were systematically given tax relief. By linking pensions to changes in net wages, the mass of pensioners was also included in this redistribution spiral.

The decline in tax revenue from high incomes resulting from this political strategy, the decline in income tax revenues due to growing unemployment, and the growing interest and redemption payments for the loans resulted in a crisis of record indebtedness for the government.

The policy approach with which The Greens intended to tackle this development in their 1998 election programme was entirely correct. At the centre of a medium-term programme of consolidation for the government finances are three pillars of fiscal policy: a reform of income tax which reduces the burden on low incomes (raising the level of income at which no tax is payable, low starting rates of income tax), and which aims to ensure, by radically reducing tax concessions, that the tax rates for high incomes, which now only exist as fiction, will again become actually payable tax rates.

A reform of wealth tax, which intends to achieve greater distributive justice above all by taxing wealth that is inherited or given, at its actual capitalised value. In addition, the wealth tax of 1% on assets above DM 400,000, which was abolished by the Kohl government, should be reintroduced.

A property levy to fund the costs of German unity – limited to 15 years – for assets above DM two million (after deducting private wealth) at a progressive rate up to 2.5%.

We emphatically argue in favour of keeping these three pillars. A time-limited

and purpose-related equalisation of burdens and a targeted reduction of tax burdens on low incomes must be the two maxims of green financial policy.

In particular, the strategic idea of an equitable sharing of burdens of the costs of German unity has in practice been increasingly pushed aside by the red-green coalition. The government debt is a key social problem that has to be resolved. A high government expenditure rate is only indirectly linked to this. It is wrong not to talk about sensible increases in government revenues just because the expenditure rate is rising. The same also applies to taxing cross-border capital movements (Tobin tax). In principle, high public expenditure is neither good nor bad. What is at issue is simply the restoration of an effective tax system. Only in this way can the government regain sufficient room for action. Here, pragmatic budgetary policy must win out against ideological stereotypes from the right.

Just as strongly as we argue in favour of increases on the revenue side, we are also pleading for a clear reduction of all income tax rates – provided tax privileges are radically reduced.

#### **4. Against the mentality of entrenchment: Reshaping the welfare state of the ‘service society’**

The development of the ‘service and knowledge-based society’ has led to the emergence of new social spheres of interest which urgently require the reshaping of the welfare state. The present debate about the ‘restructuring of the welfare state’ is being conducted – including among the Greens – without taking sufficient account of the rapid social changes produced by the global markets for consumption, production and services.

*On the one hand*, the community included in the organisation of solidarity by social insurance is conjured up and defended as if in itself it provided a guarantee for social justice and a democratic counterweight to the growing economic power of globally operating companies. What is not considered is the extent to which the social insurance companies themselves depend on the functioning of this globalised economy. Furthermore, there is frequently no recognition of the extent to which these insurance systems, because of their exclusion rules, themselves contribute to social divisions – about which every precariously employed woman, every young person whose entry into gainful employment went wrong, or every long-term unemployed person, can sing a litany. Each ‘strategy for a solution’ which restricts itself to defending the social insurance interests of a dwindling, predominantly male, ‘workers’ aristocracy’ will therefore founder in terms of these new spheres of interest.

*On the other hand*, it appears that having experienced years of a buoyant stock market, more and more people are taken in by those propagating a predominantly private provision for the future. One can hardly speak of individual freedom and self-determination for individuals when social security is made hostage to the ‘volatile’ international financial system. The significance of American pension funds in the waves of speculation on the international financial market should

give a warning signal about a wrong social development, moving from a system of social protection to a market-dependent system of insecurity.

### **The dispute is not about the funding mix**

The debate should not be about whether, in future, there should be a mixture of suitable forms of private pension, state insurance and public-sector social welfare for the major risks in life. This is not in doubt when looked at reasonably. The fundamental question that has to be clarified in the debate about the future of the welfare state is the one about the future proportion of the general risks faced by citizens to the specific risks faced by people in employment. The issue is about combining an acceptable measure of social security and real access to social benefits with a plurality of modes of living, under changed circumstances. The issue is to ensure, by including the entrepreneurial net product in the funding basis, the long-term stability of the financial framework.

### **Gainful employment remains central, but will change**

In the medium term, the task is to open up access to gainful employment for all people, men and women. This is also a precondition for functioning social systems. It will be necessary, in view of the limited effectiveness of a macro-economic employment policy, to increasingly emphasise the redistribution of work. Here, approaches based on civic rights to reduce the supply of labour should predominate – sabbaticals, parental leave, assured access to training, advanced training and further training. These tools will at the same time contribute towards reducing mass unemployment.

The drastic changes in the world of work, in the transition to a ‘knowledge-based and service society’, lead to a shift of emphasis in the social security systems: from mechanisms of providing against the specific risks of employed labour to the provision against general risks faced by all citizens. People in insecure jobs, the self-employed and people working illicitly will increasingly have to rely on social welfare provisions. At the same time, people in employment will increasingly experience periods in which their social benefits cannot be linked to their situation as employees.

### **Not private provision, but rather public-sector provision is increasingly necessary**

With these changes in the content and status of gainful employment, however, the question about private initiative does not automatically move into the forefront. The great majority of citizens will still not be able to make adequate private provision because of the sheer magnitude of the risks to be covered. By contrast, there is an urgent need for unbureaucratic public safeguarding mechanisms for general contingencies in life, which include, in addition to parenthood, sickness and old age, increasingly economic factors such as lack of qualifications and poverty, or low income. In this debate about decent living conditions, which must be guaranteed in a civilised community, the issue is

above all a dignified basic security for all who need it. This guarantee must not become tied to special demands about ‘proper behaviour’. However, this does not exhaust the problem of a public policy of basic provision at all: it must also make sure, for instance, that chronically ill or disabled people are provided with sufficient assistance, or that well-earning workers in ‘precarious’ jobs, who remain outside the traditional social security benefits, are provided with a publicly funded basic provision for their welfare needs.

There is no reason to assume that the traditional social security systems would lose their function within the framework of such a policy. This is not the case either with respect to supplementary work-based or negotiated social security strategies. Though these would once again be able to concentrate on their core function: safeguarding against specific risks related to employment. The same also applies for genuinely voluntary private efforts to make provision. There is no likelihood that they would disappear. And there is no reason to aim for this. Only the justification of government support for such payments – for example through tax relief on the paid contributions – would cease in such a framework.

### **In favour of a rational debate on pensions**

Public discussion about the future of the welfare state has recently concentrated on the debate about the guarantee of old-age provision based on solidarity between the generations. The reason for this is the emerging fundamental funding crisis in the pension scheme. The demographic trend where an increasing number of pensioners are facing ever fewer potential contributors, more than 15 years of mass unemployment, and the practice, since 1990, of massively funding social measures unrelated to the scheme from the pension fund, make it questionable whether the pension entitlements currently acquired will be able to be realised in the future.

Three different lines of argument have emerged in this debate: one side propagates the unwavering retention of funding pensions from current revenue in terms of a contribution-related insurance payment with a solidarity surcharge. Others consider this insurance contribution simply as a private capital investment and complain that it brings a relatively low return. They therefore plead in favour of changing to a purely private provision within the framework of pension funds secured by capital stock. Both positions are against the increasing funding of pensions through taxes. At most, they will accept the cover of the so-called payments unrelated to insurance as a permissible sin.

A third line of argument pleads in favour of a pragmatic mix of three elements: funding of a basic pension through tax, funding of a contribution-related social insurance pension from current contributions and an additional pension on the basis of a private (or occupational) pension. In our view, the only question to be raised about this is about the appropriate weighting of these elements, which is frequently left open during the discussion. We have no doubt that such a mix makes sense and will gain general acceptance. Though we believe that the



weighting of the three elements is an important task of directing social policy. In the last analysis, it will decide the nature of the pension system. We are expressly opposed to the creation of a system of old-age provision in Germany that is dependent on the capital market, and which seems to be propagated by some of those who are today pleading in favour of a funding mix.

### **Public guarantees of social solidarity remain necessary**

An important expression of social solidarity is the size of the publicly funded basic pensions and their share in the total system provisions. To ensure that poverty in old age can be banished, their level, and thus also their proportion, must be relatively high. Together with the contribution-funded share of social insurance, the tax-funded pension must in any case clearly predominate in the benefit system, compared to private provision. If the share of the additional private pension in this mix was too high, then this would have two dangerous effects: on the one hand, the basic principle of support for old-age provision would become relative, and the dependence of the system of private old-age provision would tend to make it a dependent variable of the international share and capital markets, in which insurance companies and private pension funds operate to get their returns. There can be no certainty in the medium term about security of investment, if extra billions – which would be required world-wide to ‘safeguard’ pensions – were to pile into the world’s investment markets. While this could push up share prices in the short term, these would at the same time lose any meaningful connection to the real value of the shares – and the uncertainty of all financial investments would increase even further.

### **5. In favour of an honest debate on strategy – an end to the line of ‘eyes closed and move straight ahead’!**

Among many people in the leading ranks of The Greens, political self-deception is running high. Each time the opinion polls come up with bad news, the almost autosuggestive response is: we just have a communication and structural problem. The party and government line is great. It is just that people don’t quite understand us yet. One side stresses a leadership problem based on personalities. Dual leadership and separation of office and mandate in the party leadership are to blame for a confused image. And more or less openly, they lament that great men are being hindered by positive discrimination for women. Others talk about the lack of communication strategies, and plan new posts to ensure better, co-ordinated public relations work. If only the leadership and the ministries were one and the same, then we would have greater acceptance.

We believe that this approach is superficial, and a poor tactic for winning through. We argue in favour of openly stating that our strategic plan for a red-green reform block has not succeeded because of conceptual errors, and has to be revised. Within the framework of the debate about a new statement of core values, we want to talk openly about why we were able to gain only very limited acceptance among the population for the idea of a social contract based on

ecology and solidarity, which we have been propagating since 1993/94. The responsibility for this has nothing to do with dual leadership and communication strategies. The market radicalism that has produced a distorted relationship between our eco-tax proposals and our proposals for a more comprehensive policy of ecological regulation and intervention, our virtually non-existent ecological industrial and economic policy, the political vacillation on the question of growth, our de-facto abandonment of the strategy of an equitable sharing of burdens, and of revenue increases in financial policy, the low acceptance among broad sections of the party of including higher incomes in a strategy of targeted tax relief for reasons of political alliances, the barely noticeable participation in the strategy to stabilise the federal budget; the abandonment, in our financial policy, of our basic conviction of north-south solidarity that the funds for development policies must be continuously increased and – last but not least – sliding into the Kosovo war and its policy consequences – these are the points that must be discussed and clarified in the coming months – regardless of coalition discipline at the federal or regional policy level.

We consider that the contemporary attitude of no longer looking at society in left or right terms makes no sense and believe that each party thrives on the tension between its wings. But we want to contribute to a climate in The Greens in which an open and honest debate of basic principles is not prevented through factional or party discipline based purely on power tactics. Because our party can no longer afford to do this, unless it wants to be destroyed.

We want a discussion on strategy without taboos, in which it is the argument and not the political function or adherence to a political wing that counts. This also requires the courage of speaking openly about the strategic consequences arising from the ‘Schröderisation’ of the SPD and the experiences with the obstructive policies of the social democrats advocating a Keynesian-type of investment leading to ever more concrete filling the countryside, a la Beck and Clement. There must be no ban on thinking, because we need to find ways out of the one-dimensional coalition policy and the trap of susceptibility to blackmail in which not only Chancellor Schröder sees us. Green means change.

#### **Postscript**

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