The resignation of German Finance Minister Oskar Lafontaine--the end of Bad Godesberg

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Oskar Lafontaine, the chairman of the SPD and finance minister in the government of Gerhard Schröder, abruptly resigned from both posts last Thursday and also relinquished his mandate as a parliamentary deputy. His sensational resignation from politics is indicative of a profound change in the political development of Germany.

In his short note to Chancellor Schröder and the party accompanying his resignation, Lafontaine gave no reasons for his decision. For three days he spoke to no one. Only on Sunday did he appear before the press to make a short statement in which he declared that his decision was the result of "bad team play" within the government. "When the team no longer plays well, then you have to select a new team. My step is the necessary prerequisite for such a move," he said, without identifying anyone who had been responsible for the "bad team play".

There are numerous speculations over the exact reasons which moved Lafontaine to resign so abruptly. They extend from a conspiracy in the chancellor's office designed to publicly discredit Lafontaine to reports of a vigorous conflict between Schröder and Lafontaine, whereby the latter was left only with the possibility of "overthrowing the chancellor or throwing in the towel" (*Frankfurter Rundschau*).

What is clear is that Lafontaine's political line encountered growing resistance under conditions where he also rapidly lost influence inside his own party.

He was assumed to be the last leading social democrat in Europe to defend a policy of social checks and balances. In fact in this regard he was only to a very limited degree a "left", and by no means a socialist. He was a bourgeois politician whose first concern--like all social democrats--was the defence of the existing social order. To this end he was often to be found on the right of the party, for example in his role as state president in Saarland where he introduced the most restrictive laws in all of Germany gagging the press in order to stifle criticism of his state government.

Even the economic programme which he advocated was not especially left. In comparison to the financial policies pursued in the early years of office by the Brandt, Schmidt and even Kohl governments, Lafontaine's proposals were definitely conservative. He never quarrelled with the aims laid down by the Maastricht treaty and his first budget draft as finance minister basically carried on from where his conservative predecessor had left off.

However in opposition to the business wing of the SPD, Lafontaine advocated a programme of state measures to counter the negative social effects of globalisation and an unrestrained market--both on a German and also European level. Last year, together with his wife, he published a book expanding his ideas, *Don't worry about globalisation--jobs and wealth for all*. In this book he advocated increasing incomes in order to increase domestic demand--so flying in the face of the dominant supply-side orientated policies.

His resignation must be seen as an admission that this alternative has failed.

Shortly after taking office in autumn of last year his notions met with stiff international resistance. In particular Dominique Strauss-Kahn, French economics minister, a man who supposedly stood close to Lafontaine politically, swept aside the latter's proposals for exchange rate zones for the most important world currencies at the first German-French summit meeting--to the evident approval of the assembled bankers.

The British press built him up as a bogey man and on the front page of the tabloid *Sun* he was described as "the most dangerous man in Europe".

At the most recent meeting of the G-7 in Bonn, US finance minister Robert Rubin made unmistakably clear that the mightiest economic power in the world would not tolerate any attempts to restrain the free movement of capital: whoever wants stable currencies, he instructed Lafontaine, must not attempt to manipulate the markets but rather must ensure that national economic policies and structures are sound and reasonable.

In Germany the conflict escalated when Lafontaine dared to encroach upon some of the tax privileges of big business and impose taxes on the billion-strong reserves of the main energy concerns. The heads of these concerns threatened to

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boycott talks with the government on a gradual abandonment of nuclear power--the so-called Energy Consensus Talks--if the latter did not withdraw its taxation plans.

Two days later, on Wednesday, Schröder rebuffed Lafontaine in cabinet discussions. He declared he would not tolerate any policies that countered the interests of business and indirectly threatened to resign himself: "There will come a point where I will no longer take responsibility for such policies [i.e., Lafontaine's proposals]." Information on the meeting was then deliberately fed to the press. On the following day Lafontaine tendered his resignation.

Business circles and above all the stock markets were jubilant. They acted, according to *Der Spiegel* magazine, as if this was "the second triumph of capitalism over the planned economy". Within a few hours the German Dax index registered a 6 percent growth.

There can be no doubt that the immediate consequence of Lafontaine's resignation will be a further move to the right with regard to economic policy. Barely had the shock died down than the first voices could be heard inside the SPD calling for a course more favourable to business.

The first stage of the reform of the tax system worked out by Lafontaine is to be decided upon by parliament as planned on March 19, so preventing huge additional budget deficits. But the next stage, following an agreement between Schröder and the new finance minister, Hans Eichel, "will move in the direction of business". According to Schröder the German tax system must be brought into line with the European and, in particular, the British systems. Already by the year 2000 huge tax cuts are planned for large companies.

This cannot be accomplished without big cuts in the sphere of social welfare and an increase in the value added tax for basic commodities. There are already estimates that the budget deficit for the year 2000 will be 20 to 50 billion marks higher than planned by Lafontaine. A drop in taxes for business will of necessity further increase this deficit.

The SPD coalition partners, the Green party, which up until now oriented themselves towards the Lafontaine wing of the SPD, have already made very clear that they will support the new course. According to Green leader Joschka Fischer in *Der Spiegel*, the issue is "to find a new balance between social justice and an orientation towards investment". The climate for business has to be dramatically improved.

Following a short period of mourning for the departure of their idol, the so-called Frankfurt circle of SPD-lefts are also making the best of the situation and have said they will support the election of Schröder as new party chairman.

The question arises, why did Lafontaine capitulate so readily, without making the least attempt to defend his opinions and mobilise support?

Through his resignation, which came as a surprise even for his closest collaborators, Lafontaine has opened the way for the conservative business wing inside the party to take over the leadership. Under normal circumstances Schröder, who in addition to his post as chancellor will now take over as party chairman, would have had problems obtaining a majority.

The explantation for LaFontaine's behaviour is to be found in the objective situation. The dominance of international finance concerns, controlling billions in all areas of the economy, no longer permits any room for polices of social equilibrium. Within the space of a few weeks Lafontaine's claim that it is possible to ameliorate the affects of globalisation with economic policies drawn from the sixties and seventies have proved to be a chimera.

For the SPD his departure represents a break comparable to the party's acceptance of the Godesberg programme 40 years ago. At that time the SPD finally detached itself from its roots as a workers party, describing itself as a People's Party. This transformation, however, took place during a period of social equilibrium and rapid economic growth. Emblazoned at the head of the Godesberg programme were the words "Freedom, Justice, Solidarity".

Lafontaine placed the very same words at the end of his letter of resignation, writing: "I wish you success in your future work for Freedom, Justice, Solidarity." But his own resignation is the proof that such principles are no longer compatible with the methods of the SPD under conditions of globalisation. The SPD is in the process of completing its transformation from a Peoples Party into a party of big business repudiating every form of justice and solidarity. In so doing it is taking the road already travelled by most of the social democratic parties in Europe.

If Lafontaine had attempted to defy a business lobby which has evermore unashamedly sought to dictate government policy, he would have no doubt found support--certainly less inside his own party, but above all amongst layers of the population. He would have set in motion social forces and that is the last thing he wants. So he capitulated without a fight.

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