

## Now It's Sink or Swim With Unknown Schröder

By Josef Joffe

MUNICH — Boredom kills. After 16 years at the helm, Helmut Kohl has suffered the fate that felled John Major after 18 years of Thatcherism and George Bush after 12 years of Reaganism. Germany voted not so much for Gerhard Schröder as against the man who would be king forever.

And rightly so. Longevity in power is not just boring but bad. It nourishes heady visions of infallibility, sapping the ruling party of fresh ideas while demoralizing those who have them.

With Kohlism kaput, Germany's Christian Democrats will go through a long and tortuous succession crisis. They should have known better. After 14 years of Konrad Adenauer, who was forced out in 1963, they descended into a long decline from which they emerged only 19 years later.

But who will lead Germany now? We know so little about Mr. Schröder, 54, because he has told us so little.

He bet and won on boredom while sounding an uncertain trumpet. He has tantalized the electorate with delicious morsels of great things to come — of dynamism restored and reformism triumphant. For good reasons, though, he chose discretion over valor.

Unlike his role models Bill Clinton

and Tony Blair, Mr. Schröder presides over a party whose heart continues to beat on the left. The instincts of the European left — what an irony! — have turned conservative.

No wonder. Historically, social democracy has made a living off the all-powerful, all-munificent welfare state, which now disburses half of GDP, as opposed to a bit more than one-quarter 40 years ago. But the twin revolutions of technology and globalization have made short shrift of the old rules.

The name of the game is ruthless adaptation. It is pain, toil and trouble now so that the economy will deliver the "surplus" tomorrow that finances the wherewithal of social justice.

Mr. Schröder knows this, and in their hearts his comrades know it, too. But their message to a rattled nation beset by double-digit unemployment was: You can have it all. We will shelter you against the cruel vagaries of the market; we will even take back those timid labor market and pension right reforms pushed through by the Kohlists.

But the status quo cannot hold. It is not so much high wages that price Ger-

man workers out of the world market as soaring payroll taxes for the safety net, which gobble up 43 percent of gross compensation. To buy an average hour, a German employer has to pay almost 80 percent on top of wages. Isn't he better off "hiring" a machine?

A government soaking up half of GDP does not just crowd out investment and consumption; it comes with a myriad of job-killing regulations. The price is not just 4 million unemployed, but *long-term* joblessness. The sorry statistics tell us that the longer you are out of the labor market, the harder it is to get back in again.

The Schröderites and their Green allies think that they have a bright idea: reduce nonwage costs by taxing energy rather than by reining in the welfare state. That would be nice if Germany were a modern service economy like the United States. Proportionately, Germany's energy-eating manufacturing sector is twice as large as America's. So jacking up the price of energy will make the German economy as a whole less competitive.

Ecological high-mindedness that merely shifts rather than lightens the tax burden puts the cart before the horse. Jobs, as the U.S. example proves, grow

out of a vibrant service sector. Yet try to keep your store open past 4 P.M. on Saturday, or to start up a business that sells a new gizmo. Or invent a service that defies Germany's medieval craft structure. Rather than slugging it out with the czars of regulation, it is smarter to go on welfare, which remains lavish by U.S. or British standards.

All of this is to belabor the obvious. The point is that Gerhard Schröder's impressive victory is wrapped in a nasty paradox. Those who voted for a new dawn hoped that the left (with a 53.6 percent total) would protect them from the brutal verdict of the global market. Mr. Schröder knows that it is sink or swim, but many of his voters still dream of dikes and dams.

Helmut Kohl long ago gained a place in history as the man who reunified Germany without firing a single shot. Gerhard Schröder has a crack at greatness if he transforms the paradox of his election into the power to lead. If not, it won't be 16 years of Schröderism, perhaps not even four.

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