

**COMMENT****JOSEF JOFFE**

# Schröder has taken the initiative

**T**he French call it *fuite en avant* – when a general makes a mad dash to break his army's encirclement. This is what Gerhard Schröder, the German chancellor, did when he called for early elections after his party's thunderous defeat last Sunday in North Rhine-Westphalia, the country's largest state and a Social Democratic party (SPD) stronghold for 39 years. To appreciate the disaster from another perspective, imagine Tony Blair losing in his own constituency in the UK and Labour trailing the Conservative opposition by 15 points in the polls. Surely, to go for new elections now is to commit suicide for fear of death.

Not so fast. Let us look at the order of battle. The SPD is being trampled for asking too much from a populace beset by 12 per cent unemployment and the lowest growth rates ever. By Thatcherite standards, German reforms are moving at a glacial pace. There have been timid tax and welfare cuts, but one of the world's most rigid labour markets has hardly been touched. Still, too little has proved too much for a nation weaned on ever-expanding social protection and the cosy ways of Rhenish capitalism.

Here is how Mr Schröder may run his campaign. He will promise a safe harbour against the storms of globalisation, which is actually "Europeanisation", a process that draws cheap labour from, and pushes investments to, the east. His party will inveigh against those "locusts", American equity and hedge funds, that cannibalise German companies for a quick euro and then move on. To pacify the electorate further, the chancellor may boost the deficit and the debt, in spite of the European Union's stability pact.

What is an opposition to do? Although they are basking in the warm glow of the polls, the besiegers are trapped. If Angela Merkel's Christian Democrats move to the right – say, towards labour market liberalisation – they will face even more of the same anger that has savaged the SPD. If they move left, Mr Schröder will clobber them as copycats: "Do you want a shoddy imitation or the real thing?"

The point is that there is a profound difference between Anglo-Saxons and Continentals. In the 1980s, Britain's Margaret Thatcher and Ronald Reagan in the US led conservative parties that were in fact revolutionary. They broke the mould and triggered sustained growth. They went after the labour unions and mesmerised their nations with the ringing rhetoric of salvation. Continental conservatives, whether in France, Germany or Italy, are like the Tories of yesteryear – more Disraeli than Thatcher. They are statist and for the status quo. And well they might be. As they look around, they see conservative market aficionados such as José María Aznar wiped out in the Spanish election of 2004. And they can still hear the nationwide protest against *soi-disant* rightist Jacques Chirac for decreeing that the Monday after Whit Sunday should be a working day.

Continental electorates are mesmerised by angst. Naturally, the strategy of Ms Merkel's conservatives has been to say and do exactly nothing, letting Mr Schröder twist in the wind and waiting for victory in 2006 to drop into their laps. That strategy is now in tatters. With elections just 15 weeks away, they must offer *something* to an electorate ready to punish anybody who preaches pain before gain. Hence the triumphant Christian Democrats would

not dare to defy the country's sour mood with an agenda of real reform.

Listen to Ms Merkel as she dances round her interviewers' questions. The slogans are pleasing ("renewal", "consistency", "professionalism"), the substance is meagre. In her heart, she is more like Baroness Thatcher than Mr Chirac – a woman who believes in breaking the mould, at least at the edges. But she is too smart to ignore the ambush the chancellor has set for her. If she feints to the right, Mr Schröder will taint her as a cold-hearted "neo-liberal" (German for enemy of the people); if she sidles to the left, he will accuse her of pandering to the people.

So Mr Schröder's gambit is hardly a desperate leader's last gasp. Only one-third of the electorate believes that the opposition can do better, or that it is well-prepared for the contest. Stumbling from one *Land* defeat to another, Mr Schröder has grabbed the initiative, always a good tactic in warfare. He has traded defence for offence, another good tactic, while dispatching his troops to envelop Christian Democrats' right and left flanks. He is a superb campaigner, whereas Ms Merkel, who rose through the party ranks, has never been tested in electoral battle.

Will the gambit work? In history, there are not too many inspiring examples. But remember the most famous one: Alexander's *fuite en avant* at Gaugamela in 331BC when he annihilated a far superior Persian army that had encircled him. The odds were horrifying, but the victor went on to India. So do not count Mr Schröder out yet.

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