

E S S A Y

**Josef Joffe**

# How to Change Without a Revolution

The German election reveals less about the country than you might think

**I**T TAKES AN ABSENT (OR VERY SUBTLE) COLLECTIVE MIND TO deliver an electoral verdict like the German one. At the polls on Sept. 18, the people's message was that nobody wins. It is tempting to compare Germany '05 with the U.S. presidential election in Florida five years ago, but wrong. In Florida, after much counting and recounting, somebody won—George W. Bush. Yet in Germany, Gerhard Schröder, the Social Democrat, was trounced—and so was Angela Merkel, his Christian-Democratic challenger. The Chancellor and his junior partner, the Greens, lost their majority, but Frau Merkel and her allies, the Free Democrats (FDP), did not gain one. The Social Democrat-Green coalition was out, but the center-right did not get in.

Such calamity might befall Italy, but Germany, the rock of stability über alles? It gets worse. There is no obvious way to cobble together a majority that can govern, Germany for the next four years. Theoretically, the Social Democrat-Green coalition could recruit the FDP. But the party's chairman insists that he won't get into bed with Schröder's Social Democrats and Joschka Fischer's Greens. On the right side of the political divide, Merkel could try to pry the Greens out of Schröder's embrace. Arithmetically, this is a fetching idea; ideologically, it is not. How would she harness her own Conservatives, the free-market FDP and the leftish environmentalists of the Green Party in a stable ménage à trois? What about a grand coalition of Social Democrats and Christian Democrats? Since Frau Merkel's supporters will have three more seats in the next parliament, she could still be Chancellor. Except that Schröder thinks that, morally, he won the election because he picked up so many votes in the home stretch. So he will not serve under Merkel.

So welcome to Italy-on-the-Rhine. In the end, Germany will have a government. But it won't be a lasting one because whatever the combination, it will be a shotgun marriage based not on affinity, but desperation. Divorce will be lurking not that far down the road, and so will a new election.

While the parties are engaged in their mating dance, let's step back and ask: What did the people want? The answer is as easy as it is dreary. On Sept. 18, the electorate handed a clear majority to the left, a bunch of parties whose battle cry was "No

change." These are the Social Democrats, who turned against their own reforms during the campaign, the Greens, who think that "social justice" and ecological correctness trump growth, and the newest entrant, the Left Party, which roped in 9% of the vote with a kind of reactionary socialist utopia: down with globalization, more welfare, less competition, "soak the rich."

Thankfully, the Social Democrats and Greens hate the Left Party, an amalgamation of renegade Social Democrats and ex-Communists rooted in the former East Germany. Otherwise, the moral of this tale is a bleak one. Like France and Italy, Germany cries out for change after a ten-year structural slump. Its growth rate is the lowest in Europe, its unemployment stands at 12%, and its budget deficit at 4%. And the voice of the people has just proclaimed: That's just fine with us. Or more accurately: While we understand the need for belt-tightening, let's start with the other guy first.

In truth, there is some good news in Germany, but to unearth it, you have to dig deeper. No matter which coalition takes power in Berlin, a more interesting drama is unfolding in the realm below—in the economy, or the "substructure" of capitalist society, as Karl Marx called it. Industry has ruthlessly cut costs by downsizing and off-shoring. Today, Germany's unit-labor costs have fallen way below those of Italy, Spain and France. While job-protection remains a holy cow, business and labor have quietly agreed to let weekly working hours creep up and paid vacation days come down. Almost one-third of the German workforce is now temporary or part-time, granting companies a generous measure of flexibility. Nationwide labor contracts have long been sacred, stubbornly ignoring local economic conditions. But in practice, more and more wage deals are being struck on the shop floor, where labor and management pay attention to the company's balance sheet. And corporate profits are soaring.

So don't cry for Germany. France has revolutions, but no change. In Germany, it is the other way round. While the government is in a stalemate, the economy is adapting in strangely un-German ways because it has no other choice. Germany's "China" is right next door, in the new Europe to the east, where productivity is almost as high as in Germany, but wages are one-sixth of what they are in Berlin and Bavaria.

Or put it this way. Only fools would bet on the complexion or longevity of the next government. But smart money is buying up German assets left and right. ■

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**STALEMATE: Neither Merkel nor Schröder secured the chancellorship**