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[Aller au sommaire du numéro](#)

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PRESENTATION / PRÉSENTATION

German Labour Experiences Since World War Two: A Suggested Interpretation

Ingo Schmidt

Introduction

ABOUT A CENTURY AGO Werner Sombart, who then considered himself a socialist, published his book *Why is there No Socialism in the United States?*¹ He argued that capitalist advancement in the us would trigger the development of a socialist movement in the same way this had occurred in Europe. If, for whatever reasons, this did not happen, Sombart argued that the absence of an American branch of international socialism would impede the socialist movements in other countries.

About two decades ago, just after the Berlin Wall had fallen and the Soviet Union had imploded, Francis Fukuyama, who was never considered a socialist, triumphantly pronounced the superiority of the American variety of liberal democracy and capitalism.² Every other form of political and economic organization that had been tried in the 20th century, i.e., Western European welfare capitalism, Eastern European state socialism and developmental states in the Global South had, according to Fukuyama, failed. Therefore, he concluded, in order to survive in the global market place all countries had to turn to the capitalist road, which was represented by the us.

However, Sombart's original idea that there is at least some sort of socialism in Europe but no such thing in America has regained unexpected prominence since the 1990s, partly as a response to the American triumphalism

1. Werner Sombart, *Warum gibt es in den Vereinigten Staaten keinen Sozialismus?* (Tübingen 1906).

2. Francis Fukuyama, *The End of History* (New York 1992).

expressed by Fukuyama and others. Intellectuals with leanings towards social democracy and organized labour maintained that Europe had found a way to reconcile capital's quest for efficiency (a euphemism for profit) with labour's demands for equality.³ Unlike the inefficient regimes of state socialism or developmental states, they went on to argue, Europe could avoid convergence to the American model of unfettered markets thanks to high levels of productivity that were, and continued to be, achieved through the cooperation between capital, labour and the state. Such claims are echoed by conservative intellectuals who criticize Europe for clinging to outdated ideas of equality and redistribution.⁴

Academics validate the distinction between "social Europe" and "liberal America" with enormous data sets and sophisticated concepts to compare industrial relations, market structures, innovation systems, fiscal regimes etc. Politicians can pick those facts and arguments from this academic work that support their respective agendas. However, in the arenas of electoral politics and public debate, perceptions matter more than empirical facts or theoretical concepts. An increasing number of people in Europe are afraid of losing even more of the social security and standards that they achieved in the past. At the same time, many people in Canada and the US think of Europe as a land of milk and honey, something nice but also disturbingly socialist. Such fears and aspirations can be conveniently interpreted in the "social Europe" vs. "liberal America" framework, no matter whether this represents actually existing economic, social and political systems on either side of the North Atlantic properly or not. However, some of the nuances that aren't captured within this framework should be mentioned.

First of all, until and during the 1970s, the showcases for neoliberalism, Britain and the US, were as much shaped by pro-welfare state forces as were other capitalist centres. Second, EU-parlance about a European Social Model is a poor cover for the continued existence of institutional diversity across EU-member states and the neoliberal design of EU-integration. Third, the EU is more than a free trade area. Together with their American partners, the ruling classes of EU member states actively promote and enforce neoliberal policies all around the world. Fourth, modern European social democrats, such as Britain's Tony Blair and Germany's Gerhard Schröder, rebuilt their parties following the model of the Clinton Democrats in the US. Finally, eastern enlargement of the EU did not create western-style welfare states but rather a periphery for the western European centres. This list of factors could easily be extended. However, the arguments that scholars make about similarities and differences across the North Atlantic miss one point that is crucial for popular

3. Michel Albert, *Kapitalismus contra Kapitalismus* (Frankfurt/Main 1992); Peter A. Hall and David W. Soskice, *Varieties of Capitalism* (Oxford 2001).

4. Olaf Gersemann, *Cowboy Capitalism: European Myths, American Reality* (Washington DC 2005).

perceptions of social Europe versus liberal America: popular perceptions are not as informed nor as committed to the realities of social conditions on each side of the North Atlantic as scholars are, or at least should be.

Such perceptions are better understood as projection screens that reflect vague desires for social improvement, represented by Europe, and fears for further social degradation, represented by the US. Even in the US, which is not only perceived as objectively being closer to the neoliberal ideal-type than any other country, but also home to people who have completely adopted individualistic and anti-welfare state attitudes, there is considerable support for the idea of social justice and redistribution.⁵ There is just not very much hope that this can ever be achieved. To activist scholars who are looking for ways in which the social conditions of workers and members of other subordinated classes could be improved, popular perceptions and the positivist surveying that is done by most social scientists shouldn't be the final word about social realities and their folkloristic expressions but instead a starting point for further inquiry. The questions that need to be asked now are, why could social conditions be improved at certain times and under certain conditions, why didn't these conditions last, and what could be done to turn around the neoliberal trend towards lower social standards?

In this regard, the contrasting of "social Europe" and "liberal America" is more harmful than useful because it confirms, in scientific terms, the common sense perception that social justice is as much a European peculiarity as individualism and the relentless pursuit for profit are American peculiarities. One implication of this type of thinking is that Europeans don't have to fear the total dismantling of their welfare states while Americans, or for that matter Canadians, can never expect to achieve higher social standards. However, Europeans having reason to fear "Americanization" and the American and Canadian fascination with European welfare states should not just be written off as utopian dreams. Regarding the latter attitude, however, the optimism of the will often trumps the pessimism of the intellect in such a way that social activists and activist scholars treat European welfare states, at least implicitly, as something that could be packed and shipped across the Atlantic as easily as European commodity exports. Learning from the experiences in other countries requires the consideration of the specific factors under which social standards developed in those countries. If there is anything that can be learned from such foreign experiences, it is that they have to be carefully adjusted to the domestic conditions in Canada or the US.

In fact, such learning and adjustment processes have occurred in the past. Among the European immigrants who arrived in Canada and the US before World War I, there were many who were hoping for a better life and who

5. Pew Research Center, *Trends in Political Values and Core Attitudes, 1987–2007* (Washington, DC 2007), 12–18.

had never shown much interest in progressive politics or militant unionism.⁶ There were also significant numbers of socialists among those immigrants.⁷ They had to learn that the European organizing models, strategies and ideas that they brought with them did not quite fit the conditions of American or Canadian capitalism. The conditions on the two sides of the North Atlantic were simply too different for a successful application of imported politics on new territories.

European socialism developed within nation-states, or was, particularly in Eastern Europe, built by members of subordinated classes who also claimed to be a nation.⁸ Thus, working classes in Europe were largely made on the basis of already existing national identities, which increasingly replaced the regional identities that had characterized the political geography of feudalism. The making of working classes within already existing nation-states or at least based upon notions of nationality was quite different to the making of American and Canadian working classes through the amalgamation of imported national identities alongside with the racial exclusion of workers of colour and First Nations peoples.⁹ Moreover, notions such as the frontier or processes of internal colonization could be discussed in relation to the North American settler colonies and states, respectively, but did not really apply to Europe whose rising capitalisms expanded mainly on the territories of other continents, including, at least for a while, North America.

It should also be mentioned that the different demographics in North America and Europe, of which transatlantic migration flows are an essential part, impacted the bargaining power and wages of workers in very different ways in each region. Arguably, the emigration of some of Europe's surplus population, which had lost access to land during the process of primitive accumulation and were neither needed as active nor as reserve armies of labour, was key in raising wages in Europe. At the same time, immigration to Canada and the US put a brake on wages that could only partly be offset by people moving to settle the continent, which lowered the labour supply for capitalist employment.¹⁰ Thus, different political geographies and demographics led

6. Seymour M. Lipset and Gary Marks, *It Didn't Happen Here: Why Socialism Failed in the United States* (London 2000), chapter 4.

7. John Bodnar, *The Transplanted: A History of Immigrants in Urban America* (Bloomington 1985), chapter 3.

8. Ingo Schmidt, "Imagining an European Social Model and the Hidden Legacies of European Socialism," paper presented at the 6th ECSAC Biennial Conference (Victoria, BC 2005).

9. Bryan D. Palmer, *Working Class Experience: Rethinking the History of Canadian Labour, 1800–1991* (Toronto 1992), chapter 1; David D. Roediger, *The Wages of Whiteness: Race and the Making of the American Working Class* (London 2007).

10. Kevin H. Rourke and Jeffrey G. Williamson, *Globalization and History: The Evolution of a Nineteenth Century Atlantic Economy* (Cambridge, MA 2000), chapter 8.

to different forms and strategies of working-class organization¹¹ and different forms of welfare states on the two sides of the North Atlantic.

Equipped with such caveats regarding the different historical and political contexts under which labour movements act and learn, we shall now review labour's experience in Germany from the end of the World War II to the present. This review will show that Sombart's fear that the absence of a significant socialist movement in the US would impede socialism in other countries was only partially warranted. During the Cold War the US encouraged the transformation of their West German junior partner into a showcase of welfare capitalism, which social democrats at the time considered to be a form of socialism. Even after the Cold War, when the US bourgeoisie declared that the age of neoliberal globalization was here and many of Germany's social democrats converted to neoliberalism, the ideas of social justice and equality remained very popular in Germany. Whether these ideas can be effectively articulated depends largely on the development of the labour movement. And whether attempts in Germany to transform the widespread "taste for equality and social justice" into a political project carry lessons for labour activists and activist scholars in Canada and the US is a question that only the latter can answer.

From the Second World War to the Cold War, 1945–1948

A good starting point from which to understand current class conflicts in Germany are the years between the downfall of the Nazi regime and the creation of the East and West German states, the German Democratic Republic (GDR), and the Federal Republic of Germany (FRG) respectively.

The Nazis had destroyed workers' unions, political and cultural organizations and, maybe even more importantly, had shattered trust in the ideas around which such organizations were built. On the other hand, after the victory of the anti-Hitler coalition and the subsequent occupation of Germany, the German bourgeoisie acted very carefully. With very few exceptions, its members had either been complicit with, or a dedicated part of, the Nazi regime.¹² They weren't sure to what degree the victorious powers would hold them accountable for war crimes, genocide, and other crimes against humanity. Therefore, a destroyed labour movement on one side of the class divide and a guarded bourgeoisie on the other created a vacuum of power. Not one of the major social classes were able to organize a new historical bloc after the Nazi-

11. Stefan Berger and David Broughton, eds., *The Force of Labour: The Western European Labour Movement and the Working Class in the Twentieth Century* (Oxford, Washington, DC 1995); Desmond Morton, *Working People: An Illustrated History of the Canadian Labour Movement* (Montreal 2007); Philip Y. Nicholson, *Labor's Story in the United States* (Philadelphia 2004).

12. George W.F. Hallgarten and Joachim Radkau, *Deutsche Industrie und Politik von Bismarck bis heute* (Frankfurt/Main 1974), chapters II.1–II.4.

led bloc of landed property, heavy industries, and middle classes had fallen apart. There were, however, three forces that came to fill this vacuum. First, there were working-class activists who had survived Nazi terror and the war. They set up municipal committees, usually in collaboration with individuals from other class backgrounds, to maintain some basic level of administrative service after many Nazis, who had been in charge of such services before, had left their positions. They also began the efforts to rebuild unions and workers parties all across Germany as soon as, sometimes even before, the allied troops had moved in.¹³ Second, the American, British, French and Soviet governments had a decisive impact on the political and social systems that would eventually lead to the creation of two separate states, each of which would serve as a reliable junior partner of the hegemonic powers in Washington and Moscow. Third, under the ensuing Cold War, the German bourgeoisie and many state officials recognized that the US would forgive them their Nazi past if they would accept American leadership in the crusade against Soviet communism.¹⁴

Obviously the GDR and the FRG, the European frontline states of the Cold War, developed in quite different ways. The US project to establish an expanding world market under their own leadership, in other words, imperialism without colonies, left ample room for export-driven accumulation in West Germany. The subordinate integration of the German bourgeoisie into the emergent transatlantic bloc of ruling classes shifted domestic power from heavy industries to manufacturing capital. The latter was interested in corporatist arrangements with the unions that would allow them to carefully balance international competitiveness, and thus export growth, with the development of domestic consumer markets.¹⁵ The ensuing combination of export-oriented growth and a domestic welfare state supplemented the American model, in which the welfare state was linked to a warfare economy.

In East Germany, labour activists who had either survived the Nazi regime or returned from exile were the cadres for the creation of an anti-fascist democratic order. As in the rest of Germany, rank-and-file committees sprang up in the Soviet occupational zone. These committees often transcended former party affiliations and rivalries, which in the past had been particularly rampant between social democrats and communists. Many of the activists involved saw such committees as a first step towards working-class unity. However, under the influence of the Soviets, a clearly defined hierarchy among the labour cadres soon replaced such grassroots developments. At its top stood Communists

13. Ute Schmidt and Tilman Fichter, *Der erzwungene Kapitalismus – Klassenkämpfe in den Westzonen, 1945–1948* (West Berlin 1975); Arno Klönne, *Die deutsche Arbeiterbewegung* (München 1989), chapter 16; Christoph Kleßmann, *Arbeiter im "Arbeiterstaat" DDR* (Bonn 2007), chapter 1.

14. Hallgarten and Radkau, *Deutsche Industrie und Politik*, chapter II.6.1.

15. Ingo Schmidt, *Gewerkschaften und Keynesianismus* (Münster 1997).

who had been in exile in Moscow and maintained contacts with the Soviets after their return to Germany. Communists who had stayed in Germany or been in exile elsewhere were suspected of not following the Soviet party line closely enough and therefore only played subordinated roles. The same was true for social democrats. Many of them truly wanted joint organization with the Communists but didn't want to be subordinate to the latter, let alone to the Soviets. Therefore, as much as the US influenced the creation of West Germany, the Soviets shaped East Germany. The merging of the Social Democratic and Communist parties into the Socialist Unity Party¹⁶ (Sozialistische Einheitspartei Deutschlands, SED), which institutionalized the hierarchy among labour's cadres and which would become the political backbone of the GDR, was the most visible and most important case of Soviet influence. As in West Germany, where the bourgeoisie became an American junior partner, the SED was established in April 1946 as a junior partner to the Soviets.

Notwithstanding such similarities, there was a crucial difference between Soviet and US influences on the respective developments in East and West Germany. Far beyond their own ranks, communists in East Germany, at least the ones that had stayed in Germany under the Nazi regime, had won significant respect for their struggle against the Nazis. For that reason, they were widely seen as a legitimate political force immediately after the war. However, as soon as the Soviets and returning exiles from Moscow exerted their influence, this hard won credibility was gambled away and replaced by the view that Communists, and most other members of the SED, were just henchmen of Soviet occupation. On the other hand, in West Germany, the Americans were widely seen as liberators and friends. Anti-American sentiments that have been one, though certainly not the most important, part of the ideology of German imperialism since the late 19th century, and which were stirred into the Nazi's ideological brew, were collectively repressed.

There are a number of reasons why the Soviets were mostly disdained, rejected, or even hated, while the Americans were embraced and admired.¹⁷ First, the nationalist and racist ideologies that were developed to justify German imperialism's claims for world power since the late 19th century were more directed against Russia than against America. Since the Russian revolution, anti-Russian and anti-Slavic sentiments were topped up with a wild anti-Communism. Bluntly put, the ideologues of German imperialism were more successful in implanting the fears that "Slavic and Jewish hordes" could invade German territory than in implanting fears that "niggers and Jews" would annoy brave European settlers in America. This ideological heritage outlasted the defeat of German imperialism in 1945 and shaped many individuals' ways of thinking about the conditions in the post-war era. Political and economic

16. Hermann Weber, *Die DDR, 1945–1990* (München 2006), chapter A.3.

17. Hermann Glaser, *Kleine Kulturgeschichte Deutschlands im 20. Jahrhundert* (München 2002), 248–255.

steps taken by each of the superpowers reinforced pro-American and anti-Soviet/Russian sentiments.

While the Soviets and their Communist German allies persecuted Nazis rigorously, the Americans exercised generous forgiveness.¹⁸ What made matters even worse for the Soviets was a lack of qualified personnel, which had them hire quite a number of lower-ranking Nazis because they were needed to run political and economic administrations in East Germany. Necessary as such employment might have been, it stood in sharp contrast to the anti-fascist rhetoric cultivated by the new political powers and was seen as largely hypocritical. Nothing of that sort happened in West Germany, where the Americans accommodated widespread desires to bury Nazi history, particularly individual involvement with that history.¹⁹ The Americans also had the economic means to win the Germans over to their side, unlike the Soviets. As a late industrializing country, hampered by the death toll of “terrorist industrialization” under the Stalin regime and bearing the brunt of destruction and deaths during the war, the Soviet Union wanted East German reparations as a means to rebuild their own industrial base. US claims for reparations, on the other hand, were not only reduced much quicker than Soviet claims but also replaced by Marshall Plan aid²⁰ and the granting of exchange rates that favoured German exports. This turn from reparation claims to economic integration was part of the plan of Truman’s containment policies, with which he sought to turn West Germany into an economically strong bulwark against Soviet communism. But it also had to do with the need of the US economy for international expansion. Without such expansion, many business leaders thought, the US could fall back into the depression from which it had only just escaped through massive arms production during the war. Thus, tangible business interests stood behind advocacy of the American Way of Life in post-war Germany.

Workers in West Germany, 1949–1989

The making of a transatlantic bloc of ruling classes since the late 1940s increasingly narrowed the room for autonomous working-class politics in North America and Western Europe. In West Germany, unions and social democracy were tied into a corporatist bloc with capital and the state. Attempts to win greater autonomy for unions, let alone to nationalize core industries, in the 1950s remained short-lived and were only half-heartedly supported by union

18. Weber, *Die DDR, 1945–1990*, 10.

19. Alexander Mitscherlich and Margarete Mitscherlich, *Die Unfähigkeit zu trauern* (München 1967).

20. Werner Abelshauser, *Deutsche Wirtschaftsgeschichte seit 1945* (München 2004), chapter III.2.

and social democratic leaderships.²¹ The Communist party played hardly any role in these conflicts; it was marginalized by the sectarian policies that it adopted during the ensuing Cold War, and by the anticommunist consensus that tied union leaders, social democrats, and the German and the US bourgeoisies together.²² Labour activists and socialists that tried to pursue politics beyond the East-West conflict couldn't do much more than keep the idea of autonomous working-class politics alive and had hardly any influence on the regulation of class conflicts.²³

After three decades of war, political turmoil and economic depression from 1914 to 1945, most workers, just as most people from other class backgrounds, were not only looking forward to political stability and economic prosperity but also quite happy to leave politics to the experts in state, union, and party bureaucracies. In this climate an industrial relations system could develop, in which works councils dealt with workplace issues. Labour law committed members of these councils to cooperate with the employer and prohibited the disclosure of crucial management information to the workers. Unions conducted collective bargaining on the level of industries in particular regions. Agreements that were reached in one region were often adopted, with minor adjustments if needed, by unions and employers' associations in other regions. Social democracy, though it didn't hold government power on the federal level until 1966, effectively contributed to welfare state expansion. This was possible because the party had a solid social base in many industrial centres and found common ground with faith-based labour factions within the ruling Conservative party.

The generation of young workers that came of age during and after the war had fewer difficulties accepting this system of passive representation than older labour activists who had survived the Nazi regime and were actively involved in attempts to overcome capitalism after 1945. Having grown up with war, terror, and political misuse of youth idealism instead of working-class culture and conflicts, these young workers happily escaped from discomfiting memories by embracing the consumerism that became available to them during the post-war boom and was symbolized by American mass culture. While the German bourgeoisie, or at least their older members, and state officials often maintained anti-American sentiments behind their publicly demonstrated Americanism, young workers whole-heartedly embraced Marilyn Monroe

21. Eberhard Schmidt, *Die Verhinderte Neuordnung, 1945–1952* (Frankfurt/Main 1970), part 3.

22. Georg Fülberth, *KPD und DKP, 1945–1990* (Heilbronn 1992), chapter A.2.

23. Peter Von Oertzen, *Behelfsbrücken – Linkssozialistische Zeitschriften in der Ära der "Restauration," 1950 – 1962*, in Michael Buckmiller and Joachim Perels, eds., *Opposition als Triebkraft der Demokratie* (Hannover 1998), 87–100; Klaus P. Wittemann, *Kommunistische Politik in Westdeutschland nach 1945 – Der Ansatz der Gruppe Arbeiterpolitik* (Hannover 1977).

and Elvis Presley.²⁴ However, this embrace of a foreign culture didn't diminish the self-centeredness of West German society during the 1950s and 1960s. Attempts to escape from the past, which, though for different reasons, old Nazis shared with young workers, had produced a desire to disconnect from the outside world. This desire was fuelled by repressed feelings of collective guilt for Nazi crimes on the one hand, and the experience of military defeat and of foreign occupation on the other.

The embrace of US consumerism, and export-oriented growth as its economic base, seem to disprove the hypothesis of widespread desires to disconnect from the outside world. In fact, they were the perfect means to achieve that goal. Since economic and political disconnection from the outside world was neither possible nor wanted by either of the superpowers, particularly the US, exports and imports, the exchange of commodities, was the most impersonal, the most anonymous way to "deal" with foreigners. It didn't require any engagement beyond the cash-nexus.

Behind the façade of export-oriented growth and consumerism, which seemingly turned class differences into the subtle distinctions of the sizes and designs of everybody's home, car, or TV set, class structures underwent massive change.²⁵ High growth rates, the relative shift from heavy to manufacturing industries, increases in company sizes, the use of standardized methods of mass production and the mechanization of agriculture had three main effects on class structures. First, they significantly diminished the old middle class of farmers and small businesses. Second, they led to the rise of a new middle class of salaried professionals. And finally, this economic development during the post-war boom allowed real wages to rise in lock step with labour productivity. Though longstanding wage differentials remained largely unchanged, most workers could achieve higher standards of living than ever before. High levels of employment and the extension of social security measures safeguarded this development.

The rather steady economic growth during the 1950s and 1960s that led to higher profits and wages changed most workers' status perceptions and created a widespread sense of entitlement. Social democratic ideas about the reconciliation of the interests of workers and bosses, which sounded shallow during the times of economic crisis and war from 1914 to 1945 and were therefore easily dismissed by various organizations of the radical left, had seemingly won the day. Under welfare capitalism, workers left the business of collective bargaining and welfare state expansion to union officials and the

24. Kaspar Maase, *Bravo Amerika – Erkundungen zur Jugendkultur in den fünfziger Jahren* (Hamburg 1992).

25. Wolfgang Abendroth, "Die soziale Struktur der Bundesrepublik und ihre politischen Entwicklungstendenzen," in *Antagonistische Gesellschaft und politische Demokratie* (Neuwied 1967), 17–47.

political class.²⁶ However, if they felt the fair share to which they felt entitled was denied to them, militant strikes would occur that would force unions to consider the strikers' claims.²⁷ Thus, even without permanent rank-and-file involvement, the corporatist dealings between unions, employers and the state were subject to some kind of "standby control" by the rank-and-file workers. It is also important to note that the focus on sharing the gains from economic growth evenly between labour and capital was partially challenged in the late 1960s and early 1970s when low paid, many of them immigrant, some female, workers questioned existing wage scales and the Taylorist work regime from which they suffered more than higher paid and skilled workers.²⁸

Various currents of the New Left enthusiastically greeted such incidents of open confrontation between workers and bosses. New Left activists grew up in times of unprecedented prosperity and had mostly middle class or even bourgeois backgrounds. Therefore they were less concerned with classical labour issues such as wages, hours, and social security. Instead, they felt strongly about individuals' alienation in mass consumer societies and were particularly disgusted with the collective repression of the many continuities from the Nazi regime to the West German political and economic system. Impressed with increasing labour militancy, some currents of the New Left sought to build workers' organization, which would serve as an alternative to established unions and social democracy. Most workers, though, found the language and behaviour of such New Left groups much more elitist and repellent than the patronizing attitudes of union functionaries and social democratic politicians. The failure of the "proletarian turn" of some New Lefties notwithstanding, the New Left had a long-term effect on the labour movement in West Germany. Without the sensation that the newly founded radical organizations stirred up, a majority of New Left activists actually joined unions and the Social Democratic party. While some of them became staunch defenders of the welfare state, others questioned the continued existence of social classes, industrial development, and the centrality of wage labour for the production of capitalist wealth. Notions as the end of work, post-industrial society, or post-Fordism gradually eroded the ideological cement that held the welfare state together. Such views were even more prevalent among those New Left activists who founded the Green party in 1980.²⁹ However, before such long-term developments had visible effects on the labour movement and the welfare state, the economic conditions under which the latter had developed since the

26. Frank Deppe et al., "Zum Bewußtsein der Arbeiter von Fremd- und Mitbestimmung" in *Kritik der Mitbestimmung* (Frankfurt/Main 1969), 188–210.

27. Eberhard Schmidt, *Ordnungsfaktor oder Gegenmacht* (Frankfurt/Main 1971), chapter III.

28. Peter Birke, "Der Eigensinn der Arbeitskämpfe," in Bernd Gehrke and Gerd-Rainer Horn, eds., *1968 und die Arbeiter* (Hamburg 2007), 53–75.

29. Stephen Padgett and William Paterson, "Germany: Stagnation on the Left," in Perry Anderson and Patrick Camiller, eds., *Mapping the West European Left* (London 1994), 102–129.

early 1950s changed drastically in the mid-1970s.³⁰ The end of prosperity and accelerating inflation provided the means to stop the emerging revolt against Tayloristic labour processes and forms of compensation as well as to contain corporatist wage deals. Though Taylorism had never become the dominant form of the organization of work, resistance against it, ranging from passive forms such as absenteeism and underperformance to strike action, potentially challenged West Germany's corporatist consensus, which was built around the motto "A fair day's wage for a fair day's work". But the rebellious ardour of young workers, who knew neither unemployment nor long-term commitment to any kind of labour movement, could easily be chilled by lay-offs and by the spreading of fears of job loss. These same fears tamed the claims of union members and negotiators. Moreover, the bourgeoisie and its media successfully portrayed workers' struggles, union negotiations and expanded welfare expenditures as the root causes of inflation, stagnation and unemployment.

Though Keynesian and Marxist economists disputed the scientific validity of such explanations of the economic crisis, its political success is out of the question. The persuasiveness of the bourgeois wage-price-spiral and public-spending-is-crowding-out-private-investment theories rests on historical experiences that are deeply entrenched in the collective memory of Germans with different class backgrounds. One such experience is the runaway inflation that had undermined the purchasing power of wages and salaries and destroyed household savings after World War I and again after World War II. While the owners of the physical means of production and land were untouched by inflation, working and middle classes were henceforth extremely sensitive towards anything that could, or actually did, cause inflation. The other experience was mass unemployment, poverty, and wage retrenchment during the times of war and depression between 1914 and 1945. For the first time in thirty years, the post-war boom, apologetically though aptly called the "economic miracle," offered an escape from such dire conditions. When the boom ended in the mid-1970s, which effectively had only begun in the mid-1950s, an anti-inflationary consensus across classes could be manufactured. Monetarism became not only the dominant current in economics departments and among policy advisors, but also a powerful part of economic folklore.

Unlike in Britain and the US, where monetarism went hand in hand with massive union bashing, West Germany maintained its corporatist model but changed its direction from sharing the gains of prosperity to improving international competitiveness in a world economy bedevilled by overcapacities and falling rates of profit. The same experiences that had produced a strong "taste for economic stability" and thus created the basis for monetarism's public success, had produced an equivalent "taste for political stability." Thus, any frontal attack on unions and the welfare state would have compromised mon-

30. Ingo Schmidt, *Gewerkschaften und Keynesianismus* (Münster 1997), chapter 19.

etarism's success.³¹ In the 1980s, unions never challenged the professed needs to improve international competitiveness and contain inflation and public deficits. The scope for real wage improvements and work time reductions, which became increasingly important in times of permanent mass unemployment, was thus defined by productivity increases, particularly in export-industries. However, this corporatism in an era of slow growth went hand in hand with a creeping erosion of its social base.³² Low rates of overall economic growth combined with substantial productivity growth in manufacturing industries contributed not only to persistent unemployment but also to a falling share of manufacturing workers in total employment. At the same time, job creation shifted from professional middle-class positions to precarious and low-paid forms of employment, mostly in service industries. But before the spreading discontent with these social and economic developments had a political effect, German unification changed things unexpectedly and drastically.

Workers in East Germany, 1949–1989

Despite continuing reparations from East Germany to the Soviet Union, which did not stop until 1953, and US efforts to boost economic growth in West Germany, workers' living standards in the East and west were fairly equal until the early 1950s. However, once post-war prosperity in the West took off, eastern workers, though their real wages were rising too, fell behind their fellow-workers in the West.³³ This income gap added to the weak social base, which characterized the GDR right from the beginning. After all, this state socialist regime³⁴ was established under the protective power and control of the Soviet Union.³⁵ It was neither legitimized by a workers' revolution nor by any electoral majority. Cognizant of this weak social base, the SED under Walter Ulbricht decided to consolidate its political power by means of accelerated industrial development. Prioritizing investment in the present, the underlying argument went, would allow higher levels of consumption and legitimacy in the future. To be sure, the decision to increase investment at the expense of current levels of consumption was made not only for domestic reasons. East Germany was the most industrialized country among the state

31. Ingo Schmidt, "Rück- und Ausblicke auf das Modell Deutschland," *Sozialistische Hefte für Theorie und Praxis*, 7 (December 2004), 3–9.

32. Ingo Schmidt, "Can Germany's Corporatist Labor Movement Survive?" *Monthly Review*, 9 (September 2005), 49–62.

33. Abelshauser, *Deutsche Wirtschaftsgeschichte*, chapter VIII.1; Jörg Roesler, *Momente deutsch-deutscher Wirtschafts- und Sozialgeschichte, 1945–1990* (Leipzig 2006), 68–70.

34. Rudolf Bahro, *The Alternative in Eastern Europe* (London 1978), part 2; Gareth Dale, *Between State Capitalism and Globalisation: The Collapse of the East German Economy* (New York 2004); Hans-Heinrich Kinze, *Sozialistische Volkswirtschaft* (Berlin/Ost 1983), chapter 1.

35. Klaus Steinitz, *Das Scheitern des Realsozialismus* (Hamburg 2007), 56–60.

socialist regimes in Eastern Europe. Therefore it was assigned to produce and deliver machines and machine tools to its partners in exchange for raw materials and agricultural products. Reasonable as this division of labour might have been from an abstract point of view or from the perspective of the Soviet leadership³⁶, workers in East Germany saw things differently.

Since Soviet claims for leadership in East Germany, which made the SED more a tool for Soviet foreign policies than a tool of workers to articulate and implement their own concerns, had displaced the beginning of grass-roots organizing, most workers viewed the new regime with considerable scepticism. Moreover, the opening of the income gap between East and West German workers triggered an increasing flow of east-west migration that left workers in the East wondering whether they should leave, too. However, not all workers took the exit option. When the SED-leadership announced large-scale speed-ups to meet its new production goals, many voiced their discontent with the economic, social, and political conditions in East Germany. In June 1953, a spontaneous mass strike against higher production targets, while wages would have stayed the same, developed in East Berlin and a number of other cities.

The SED leadership would later declare the upheaval was the result of western infiltration and conspiracy, whereas Cold Warriors in the West saw nothing in it but Germans struggling for national unity. Neither side could imagine that workers could spontaneously fight for their own causes, which were, in this particular case, economic in the first instance and political only in the second instance.³⁷ The SED leadership revealed its complete lack of legitimacy when it resorted to having the Soviet military crush the strike before it would turn into a large-scale revolt. On the other hand, the effectiveness and sustainability with which this goal was accomplished showed that the workers had neither organizations nor strategies to carry on their struggles over the long haul.

The eventual outcome of the 1953 upheaval was twofold. First, the stream of workers that left East Germany to find work, rising wages, and an expanding welfare state in the West, was rising to such levels that labour shortages in the East became a severe problem for the continued functioning of the GDR economy. In August 1961, the SED leaders pulled the plug. The construction of the Wall along its western border dried out the stream of east-west migration overnight.³⁸ The second outcome of the 1953 upheaval was the de facto development of a social compact between workers on the one side and state officials and party leaders on the other.³⁹ Unlike in West Germany and other

36. Jürgen Becher et al., *Politische Ökonomie Kapitalismus Sozialismus* (Berlin/Ost 1982), chapter 3.

37. Torsten Diedrich, *Der 17. Juni 1953 in der DDR* (Berlin 1991); Benno Sarel, *Arbeiter gegen den Kommunismus – Zur Geschichte des Proletarischen Widerstandes in der DDR, 1945–1958* (Berlin 1991).

38. Weber, *Die DDR, 1945–1990*, chapter B.7.

39. Bernd Gehrke, “1968 – Das unscheinbare Schlüsseljahr”, in **Bernd Gehrke and Gerd-**

countries that developed some form of welfare capitalism, this compact could not be negotiated between employers, labour organizations, and state officials and then be institutionalized later, because private property and the capitalist state had been legally abolished and replaced by a workers' and peasants' state, governed by the vanguard of the working class. However, as a substitute for their effective exclusion from decision-making processes workers' claims for higher incomes were recognized as legitimate interests in both the East and the West. Thus, East and West Germany were not only frontline states in the Cold War but also neighbouring rivals in terms of consumerism American-West German style versus a Soviet-East German brand.

In this respect, the construction of the Wall had some side effects the SED leadership may not have considered when they decided to stop the loss of labour power with an impermeable border. As it turned out, the Wall was quite permeable for information. West German media broadcasted the amenities of mass consumption and relentlessly rising standards of living night after night to East German households. The SED also broadcasted reports that would reveal the downside of western welfare capitalism, constant speed-ups of work, and the need to change jobs in a process of quick structural change, but these were mostly seen as just another part of the party's implausible praise of the superiority of socialism over capitalism.

Knowing workers' reservations towards its regime, the party adopted consumerism as a means of social integration. However, the norms of consumption were set, no matter how hard the SED tried to invent distinct East German norms, by West German media and, to a lesser extent, by cross-border communication within families. Measured against the imagined western lifestyles, actual increases in incomes and living standards in the East paled. Contrary to the propagated superiority of socialism, workers felt like they were living in an inferior country. Even though TV sets, washing machines, refrigerators, and cars entered East German households, all of these durable consumer goods came with a bit of a time lag and were considered to be of lower quality and less fancy compared to West German "benchmark goods."

Widespread feelings that there were never enough or sufficiently sophisticated consumer goods posed a constant problem for economic planners in East Germany. To produce more and better consumer goods, it would have been necessary to devote more resources into research, development, and investment. Such a reallocation, however, would have lowered consumption in the short run. Unlike mature capitalism in West Germany and other western countries, state socialism did not suffer from insufficient demand, which in turn could be partly offset through increased sales efforts and the norms of mass consumption created by these efforts. Much to the contrary, the state socialist countries of Eastern Europe were bedevilled by resource constraints

and the inability to use all available resources in the most productive ways. One reason for this was the state socialist variety of a social compact between workers and economic decision makers. Unlike capitalist bosses in the West, who could use labour saving technology and immigrant labour to force workers to keep up with a predetermined work pace, economic planners and managers in the East had to resort to persuasion. This was a hard sell because workers always felt that the regime did not live up to its own ideological premises.

The last attempt to persuade workers to engage in a common project with the representatives of the East German state and its ruling party was undertaken in the name of the "Scientific-Technological Revolution" in the late 1960s.⁴⁰ Although this campaign was in accordance with a technocratic *Zeitgeist*, which then was prevalent in both the East and the West, it couldn't convince workers who had no more patience to wait for future comfort while increased work efforts would have to be endured immediately.

When Erich Honecker replaced Walter Ulbricht as leader of the SED in 1971, he discontinued the campaign for the Scientific-Technological Revolution. Moreover, under his leadership the SED neither pushed for structural change nor for changes in the organization of work or the economic planning process, apart from putting considerable amounts of resources into the development of microchips and computer technology. Economic priorities were shifted from investment and modernization to increasing consumer goods production.⁴¹ There were reasons for this. First, Czechoslovakia's reform leadership, which propagated "socialism with a human face," was quite popular among East German workers. Protests, though on a small scale, flared up⁴² when Warsaw Pact troops, including the East German military, crushed the Prague Spring.⁴³ The SED stood there, just as it did in 1953, as a Soviet servant helping to maintain Soviet rule over Eastern Europe, but not doing anything for the workers it claimed to represent. To placate workers, the SED again saw higher consumption as the way out of an acute crisis of legitimacy. Second, during its first two decades, the building of GDR's state apparatus allowed many individual workers to move into leading positions within that apparatus—a significant difference compared to West Germany, where most of the civil servants who had been employed by the Nazi regime just maintained their positions and workers had fewer opportunities to move up. However, once the state bureaucracy had established itself in the East, a process of self-reproduction began

40. Hubert Laitko, "Wissenschaftlich-technische Revolution – Akzente des Konzepts in Wissenschaft und Ideologie der DDR," *Utopie Kreativ*, 11 (November 1996), 33–50.

41. André Steiner, *Von Plan zu Plan – Eine Wirtschaftsgeschichte der DDR* (Berlin 2007), chapter 5.

42. Bernd Gehrke and Gerd-Rainer Horn, eds., *1968 und die Arbeiter* (Hamburg 2007).

43. Zdeněk Mlynář, *Nachtfrost – Das Ende des Prager Frühlings* (Frankfurt/Main 1988).

that limited individual career chances.⁴⁴ Third, a generation of workers that had grown up after the war, and thus had no personal memories of economic hardships, had much higher expectations than their parents' generation.

Although the SED's decision to prioritize consumption may be understandable for political reasons, economically it led the way to the exhaustion of the country's productive capacities.⁴⁵ By the end of the 1980s, it was not only statisticians and economic planners who knew that the East German economy was doomed. Change was in the air all over the place. Ironically enough, shortly before the state socialist regimes in East Berlin, Moscow, and everywhere else in Eastern Europe imploded, a Soviet leader achieved something none of his predecessors had ever accomplished. Mikhail Gorbachev, because of the Glasnost and Perestroika policies he pursued in the Soviet Union, became a symbol for change that was eagerly awaited in the GDR but denied by SED leaders in East Berlin.

Workers in Unified Germany, 1990–2007

While workers had a growing sense that the East German economy was not sustainable, the SED leadership stuck to its old ways all the more as it realized that things couldn't stay the same. This increasing estrangement between workers and the political system, along with heartening developments in Gorbachev's Soviet Union, contributed to a movement that eventually led to the disintegration of East Germany's political and economic system.

In October 1989 the SED leaders celebrated the 40th anniversary of the GDR. On the face of it, things were as always on such occasions: columns of marching workers, youth and soldiers waving flags in the street, the party leadership standing on a stage and waving benevolently to the people. In fact, this celebration was completely surreal. Shortly thereafter spontaneous protests developed. The slogan "We are the people" attracted ever larger numbers of protestors. There were widespread fears that this movement would be crushed by force, as in 1953 in East Berlin and in 1968 in Prague, but this didn't happen. In November 1989 a new SED leader, Egon Krenz, who had just replaced Erich Honecker, suddenly opened the Wall and granted the freedom to travel to East German citizens. Now that everybody who was dissatisfied with economic and political conditions in East Germany could leave, and was welcomed in West Germany, change was unavoidable.

There was one big problem, the spontaneous mass movement that had brought down the SED regime so easily, and also somewhat unexpectedly, had neither a program nor the organizational means to reorganize the political and economic system in East Germany. Any such discussions started only once the movement was already in full swing. Unprepared and diverse as this

44. Arnd Bauerkämper, *Die Sozialgeschichte der DDR* (München 2005), chapter II.3.

45. Steiner, *Von Plan zu Plan*, chapter 6.

movement was⁴⁶, it was a movement for change within East Germany and, for the most part, did not seek to abolish socialism but to democratize and modernize it. For the first time in East German history, masses of people identified with, and engaged in, the country they were living in.⁴⁷ Tragically enough, at the moment that a majority of people saw the GDR as their country, they also lost it.

West German conservatives quickly understood their chance to influence developments in East Germany where the spontaneous mass movement had ousted the SED regime but was unable to restore a different political and economic order. Changing the slogan “we are the people” slightly into “we are one people,” and suggesting the introduction of the West German Deutschmark in East Germany, they turned the dynamics in the East completely around. Though there was no economic program behind the proposed monetary union, the very idea was seen as an easy fix in an inscrutable situation. Not only in the West but also in the East, the Deutschmark was a symbol for prosperity and stability. It stood for everything the SED had always promised but had never delivered. Hence, the movement that ended the rule of the SED and was now looking for new ways of political and economic organization was partly sidelined, and partly transformed, into a more passive following of monetary union and accession of the GDR to the FRG. More and more people turned to something they saw as proven success, the West German economic miracle symbolized by the Deutschmark, and gave up the idea of economic and political experiments that could generate unpredictable results. The desire to catch-up with the West, and thus escape the self-perceived status of East German inferiority, became a powerful force that helped the West German government to steer at full speed towards the integration of GDR into the West German state, which was achieved in October 1990.

It was a shock when people in East Germany found out that the symbol of the economic miracle, for which they were waiting as a result of unification, was actually the harbinger of economic destruction. West German export industries, which had conquered markets, and thereby destroyed jobs, in many other countries around the world, now turned to East Germany. State-owned enterprises were handed to private investors for sale prices, many were shut down to shake out excess capacities and only a few were turned into branch plants of western companies. East Germany's industrial structure, and therefore the composition of its working class, which had hardly changed since the 1970s because the SED did not want to stir up social unrest through structural change, was turned into a “post-modern” economy with a low share of manufacturing jobs and a prevalence of low-paying service sector jobs in just a couple of years. Deindustrialization in the East happened not just much more

46. Gareth Dale, *The East German Revolution* (Manchester 2007); Christoph Links, *Das wunderbare Jahr der Anarchie – Von der Kraft des zivilen Ungehorsams, 1989/90* (Berlin 2004).

47. Wolfgang Engler, *Die Ostdeutschen als Avantgarde* (Berlin 2004), chapter 1.

quickly than in the West, where it had developed over two decades after the post-war boom, it also went much further. Unemployment, skyrocketing from zero under the GDR's state-socialist regime to 20 per cent in the early 2000s, led to a persistent dependence on fiscal transfers from the West. However, even these transfers could not avoid the fact that average incomes in the East never caught up with those in the West.

Though the social system in East Germany had changed fundamentally from state socialism to capitalism, workers' experiences were very similar to those of preceding generations of workers in the East. The economic miracle that capitalism was supposed to bring failed to appear as much as it had failed to appear from the promise of socialism. Feelings of betrayal by, and estrangement from, the West abounded. Year after year thousands of workers, many with sceptical attitudes about their destination, moved to the West. Their numbers even exceeded those of the years prior to the construction of the Wall in 1961. This new wave of east-west migration was all the more remarkable as, unlike during the 1950s, West Germany had been afflicted with permanent unemployment since the mid-1970s, so the chances of finding a job were limited.

Of course, the integration of East Germany into West Germany's capitalist system also changed the latter. A largely increased pool of mostly skilled labour was happily used by West German bosses to accelerate the neoliberal roll-back, which had unfolded only slowly until German unification. Moreover, fiscal transfers to the East produced a fiscal crisis⁴⁸ that was used, along with the fiscal guidelines of the Maastricht Treaty that paved the way for European Monetary Union, as the rationale for social spending cuts in the West. Deteriorating economic and social conditions were partly put at the door of East Germans, who, after being considered the victims of Soviet occupation for 40 years, were now seen more and more as lazy and undeserving recipients of the tax money West Germans had to work very hard for. Thus, there was mutual estrangement between East and West Germans. One thing they did have in common, however, was an increasing disgust with the Conservative government that was in charge of the accelerated neoliberalism that followed German unification.⁴⁹ Government references to globalization, which became the universal excuse to lower labour, social, and environmental standards in the 1990s, were seen more and more as unconvincing and helpless excuses, not much different from the equally shallow references to the iron laws of historical progress that the SED had used to justify its privileged position of power.

In 1998, a government of Social Democrats and the Green party was elected, from which voters expected social protection against the impositions of neo-liberal globalization. People with such expectations, which were shared in East

48. Rudolf Hickel and Jan Prieue, *Nach dem Fehlstart – Ökonomische Perspektiven der deutschen Einigung* (Frankfurt/Main 1994), chapters 4&5.

49. Ingo Schmidt, "Wirkungsmächtige Illusionen – Export, Wachstum, Gerechtigkeit," in Ingo Schmidt, ed., *Spielarten des Neoliberalismus* (Hamburg 2008), 123–146.

and West, were disappointed, just as they had been with the hopes for an economic miracle after German unification in 1990. Instead of prosperity with a welfare state, modelled after West Germany's post-war experience, the newly elected government prescribed another round of neoliberal globalization. The blueprints for Germany's new Social Democrats were imported from Clinton's us. Though Clinton was very popular in Germany, the New Economy he was advocating was seen with considerable scepticism. Its reliance on free trade was seen as a threat to the world market position of German export industries in the face of competition coming from Asia's emerging economies. Its reliance on financial markets was at odds with the productivist ideology that was built into (West) Germany's persistent corporatist consensus.

Germany's Social Democrats, as much as their companions in other EU countries, tried to put an end to such reservations with the notion of a European Social Model, which was defined as a New Economy plus welfare state. Practical measures, however, were geared towards a New Economy against the welfare state. Compared to their Conservative predecessors, Social Democrats and Green accelerated the rollback of the welfare state even further.

Once the Social Democrats regained government power, it turned out that the party had fundamentally changed while it was in opposition from 1982 to 1998.⁵⁰ The party had lost power in the early 1980s for two reasons. One was its inability to reach out to parts of a young generation that was concerned with technocratic rule of the welfare state and the environmental impact of industrial production. The other was the embryonic steps taken towards welfare state retrenchment, which led to the estrangement between the party on the one side and parts of its working-class base and the unions on the other side. As an opposition party, the Social Democrats prepared for a political project that was meant to reconcile the welfare state and its constituencies with the environment and the Green party. However, an erosion of the party's working-class base accompanied the process of strategic and programmatic reorientation. Under pressure from the German and international bourgeoisies to dismantle the welfare state in the course of the 2001 economic crisis, the welfarist faction within the party was already too weak to reject such claims.

Disappointment and frustration with the Social Democrat's turn against their own historical project, the welfare state,⁵¹ led to a wave of protest, unprecedented quarrels between the Social Democratic Party and the unions, and eventually secession of those party currents that were still committed to some kind of social democratic reformism and Keynesian economic policies. The "Electoral Alternative for Jobs and Social Justice" united with the SED's successor organization, the "Party of Democratic Socialism" into a new party,

50. Thomas Meyer, "The Transformation of German Social Democracy," in Donald Sassoon, ed., *Looking Left – Socialism in Europe after the Cold War* (New York 1997), 124–142.

51. Ingo Schmidt, "Soziale Zerstörung ohne Widerstand? – Oder: Warum die Sozialdemokratie ihr eigenes Kind nicht verteidigt," *Sozialismus*, 4 (April 2003), 16–20.

"The Left," in 2007.⁵² The membership and voter base of this new party still lies in East Germany, where the Party of Democratic Socialism attracted people who regretted the disintegration of GDR or were suffering from economic and social degradation that came with the deindustrialization of East Germany after 1990. Only when the economic crisis of 2001 led to unprecedented cuts of unemployment and welfare benefits did such degradation also occur in West Germany and create a social base for The Left party in the West. Since its foundation, the party not only increased its membership but also won seats in four of West Germany's provincial parliaments. Pollsters find approval rates between 12 and 14 percent on the federal level.

The creation of The Left is the most visible indication of widespread discontent with neoliberalism. However, such sentiments are prevalent beyond the ranks of members or voters of The Left. Much to the dismay of most capitalists, neoliberalization has come to an almost complete halt in the political system. The dominant currents within Germany's two main parties, the Christian Democrats and the Social Democrats, are afraid of not only offending voters by continued assaults on the remnants of the welfare state, but also of driving them into the arms of The Left. Thus, there is a deep rift between a majority of people, not only from the working class but increasingly from an insecure middle class as well, that are looking for alternatives to neoliberalism and a political establishment that doesn't want to deliver any such alternatives. This establishment constrains its neoliberal policies only because it fears the actual crisis of legitimacy of neoliberal capitalism might turn into powerful anti-capitalist sentiments. Therefore, the political conditions for The Left, or any other political or union organization, organizing for change are quite good.

However, the subjective and economic conditions are more complicated. Neoliberalism is rejected by workers in export industries whose owners aim at higher profits and market shares through relentless speed-ups, lay-offs, and use of labour-saving technologies. Public sector workers and the recipients of any kind of welfare expenditures whose jobs and incomes are under threat from fiscal constraints also reject it. Increasing numbers of precarious workers reject neoliberalism because they neither earn living wages nor entitlements to welfare expenditures beyond a very basic level. It is difficult, not just for The Left party but for unions and any other social movement as well, to merge those differing and legitimate concerns into a coherent program, around which an alternative historical bloc to the crisis-ridden neoliberal bloc could be built.

The welfare state in (West) Germany was always, and still is, based on export-led economic growth and on political corporatism. Under those conditions, individual as well as organized workers in export industries were, and still are, susceptible to neoliberal arguments that explain stagnation and job

52. Manfred Behrend, *Eine Geschichte der pds – Von der zerbröckelnden Staatspartei zur Linkspartei* (Köln 2006); Oliver Nachtwey and Tim Spier, "Political Opportunity Structures and the Success of the German Left Party," *Debatte*, 2 (August 2007), 123–154; Peter Thompson, *The Crisis of the German Left: The pds, Stalinism and the Global Economy* (New York 2005).

losses with increasing tax burdens and their detrimental effects on international competitiveness. For this reason, workers' resistance against industrial restructuring in this sector was always constrained by the perceived or actual needs to maintain or restore international competitiveness. At the same time, the leeway for fiscal redistribution was as widely accepted as the need for austerity that constrained public sector employment. The Social Democrats, before they were elected in 1998, were well aware of this conflict between international competitiveness and a redistributive welfare state. Leaving the imperatives of the world market unchallenged, they declared this conflict could be resolved by transforming fiscal redistribution into an "activating" welfare state. Once in power, it became perfectly clear that the vague term was just a linguistic cover for a massive rollback of the then existing welfare state. Politically, discontent with Social Democracy's neoliberal turn produced The Left. However, it remains to be seen whether this new party will be able to invent economic alternatives to neoliberalism. Without such alternatives, the Social Democratic experience of the early 2000s suggests, the widespread and deep-seated discontent with neoliberalism can't be consolidated into a power that produces real social changes. Challenging the economic primacy of export-oriented growth, as (West) German history since the World War II implies, would be a prerequisite for a political economy geared towards jobs, justice, and environmental sustainability.

The other prerequisite is a break with the corporatist traditions in East and West Germany. Though welfare capitalism in the West and state socialism in the East were fundamentally different modes of production, there also were important parallels in terms of political structures. In both countries, decision-making powers were taken away from rank-and-file workers and concentrated in state, union, and party bureaucracies. As long as workers' interests were represented, at least to some extent, by these bureaucracies, the subsequent political systems were widely, though not enthusiastically, accepted. This has changed since union bureaucracies, mostly clinging to the corporatist welfare state, lost their counterparts in the political system. The Social Democratic turn towards neoliberalism and the ever-deeper penetration of state apparatuses with neoliberal bureaucrats led to a crisis of legitimacy of actually existing forms of political representation. Thus, the founding of The Left party may not be sufficient to rebuild working-class power. To this end a broader working-class culture, which allows the articulation of ideas and aspirations outside the political system, is needed. Without such a socio-cultural basis, the new party might, just as other workers parties in the past, be drawn into a political system that represents business interests against workers.

Appendix A: German Trade Union Federation: Membership in (West) Germany, 1950–2005

YEAR	MEMBERS	EMPLOYMENT	UNION DENSITY
1950	5,449,990	13,674,000	39.86%
1955	6,104,872	16,840,000	36.25%
1960	6,378,820	19,010,000	33.56%
1965	6,471,491	21,757,000	29.74%
1970	6,712,547	22,299,000	30.10%
1975	7,364,912	22,642,000	32.53%
1980	7,882,527	24,239,000	32.52%
1985	7,719,468	24,514,000	31.49%
1990	7,937,923	27,116,000	29.27%
1991	11,800,412	35,144,000	33.58%
1995	9,354,670	33,797,000	27.68%
2000	7,772,795	35,123,000	22.13%
2005	6,778,638	34,317,000	19.75%

1950–1990: West Germany, 1991–2005: Germany

Source: Deutscher Gewerkschaftsbund.

Appendix B: Collective Bargaining Coverage

	WEST GERMANY	EAST GERMANY
2000	70%	55%
2005	67%	53%
2006	65%	54%

Source: Wirtschafts- und Sozialwissenschaftliches Institut, Tarifarchiv.

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