Christian Democratic Welfare Politics in the Age of Retrenchment: The CDU and the CSU in Germany - A Comparative Case Study

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Abstract
The phenomenon of the welfare state and all the different formats in which it exists today has been studied for decades now. One of the subfields currently studied with intensity is the connection between the welfare states of Europe and the Christian democratic parties that we find in these countries. However, this current research remains excessively focused on cross-national comparisons rather than on in-depth analyses of specific contexts. Furthermore, this subfield has not yet been revisited under the new assumption that the politics driving the retrenchment of welfare benefits are fundamentally different to the better understood expansion of welfare states. Motivated by these shortcomings, this essay aims to elucidate the connection between Christian democracy and the welfare state in the age of retrenchment by focusing on one national context (Germany), in which we find two Christian democratic parties (CDU and CSU) that are engaged in a serious conflict on social policy.

The essay claims that this conflict is not a party disagreement but a much deeper debate: a re-alignment of Christian democratic social policy in the age of welfare retrenchment. One side of the Christian democrats in both parties argues for market-oriented reforms, while the other side argues for the safe-guarding of Christian social values. Current developments indicate that the advocates for social values have gained the upper hand. The reformers seem to have understood the new politics of welfare retrenchment: reforms do not get elected.

The conclusions of this essay hold that Christian democratic social policy will not undergo a paradigmatic shift away from social values; that the German welfare state will survive; that the social policy of all parties will gravitate to the middle; and that fundamental reform of the German welfare state is therefore very unlikely in the near future.

Keywords
political science, politics, social policy, welfare, welfare politics, Germany, CDU, CSU, Christian democracy, welfare state, Julia Lynch, Julia, Lynch

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The CDU and the CSU in Germany – A Comparative Case Study
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The connection between Christian democracy and welfare state politics has been a topic of contention for a couple of decades now. Nonetheless, the issue remains largely obscure and unresolved. What exactly is the Christian notion of social welfare? Is this notion fundamentally different to other notions of the welfare state, for example the social democratic notion? How do Christian democratic parties aim at institutionalizing their ideal type of the welfare state?

These basic questions were addressed in the mid-nineties, first and foremost by the leading scholar of Christian democratic welfare politics, Kees van Kersbergen. In search for a definition of the Christian democratic welfare state, he embarked on a historical and comparative study of multiple European welfare states that have been shaped substantially by Christian democratic parties. His accomplishment lies in the fact that he was the strongest voice in the struggle to overcome the commonly held notion that Christian democratic welfare policy was merely a response to Social democratic welfare policy, instead of being driven inherently and independently. Having demonstrated the existence of a Christian democratic notion of the welfare state, van Kersbergen and other leading scholars agreed that a clear definition of this Christian democratic notion was

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1 As most of the primary research data underlying this essay exists only in German, many of the quotations are my attempts at accurate translations
3 See Therborn (1994:106) as mentioned by van Kersbergen, page 5
nonetheless difficult to obtain.\textsuperscript{5} The exact link between Christian democracy and the welfare state was and remains ambiguous.

The preliminary conclusion of this first wave of research is that Christian democratic welfare policy is indeed to be understood specifically, yet that there are “a considerable amount of cross-national variations in the character, complexion and political impacts of the movements”.\textsuperscript{6} Van Kersbergen insisted, however, on the existence of a certain nucleus of Christian democratic welfare policy that exists over time and national differences.

The literature about the Christian democratic notion of the welfare state has two shortcomings that motivate this essay. Firstly, the lion’s share of comparative research is conducted across state boundaries, and therefore remains on a macro-level that cannot provide much new insight – neither on the question of why the cross-national differences that van Kersbergen identified exist, nor about the aims of political parties in specific welfare regimes.\textsuperscript{7} As van Kersbergen noted in 1995, the quantitative cross-national research approach was more suited to test first hypotheses and generate large explanations.\textsuperscript{8} It seems, however, that cross-national comparative studies have largely exhausted their explanatory power. The more the European political systems matured in their individual ways after World War II, the more complex cross-national comparisons

\textsuperscript{5} Kees van Kersbergen. \textit{Social Capitalism: A study of Christian democracy and the welfare state}, page 27
\textsuperscript{6} ibid. Page 29
\textsuperscript{8} Kees van Kersbergen, \textit{Social Capitalism: A study of Christian democracy and the welfare state}, page 8
have become. Most differences at deeper levels between the welfare policy of the
Christian democratic parties of Germany and Holland, for example, have to be attributed
to differences between the political settings of Germany and the Netherlands. It is thus
not surprising that quantitative cross-national comparisons by van Kersbergen, Hanley
and others have not been able to identify much more than a certain “nucleus” of Christian
democratic welfare policy. At this point, it seems opportune to take the opposite approach:
to search for larger lessons about Christian democracy and the welfare state by engaging
in comparative historical analysis of one specific country.

The second shortcoming of existing literature on Christian democracy and the welfare
state concerns its objective. The question underlying most research has been the role of
Christian democratic social doctrine on the development of the modern welfare state. The
most recent wave of welfare state research, however, has been concerned not with the
development, but with the retrenchment of welfare states. This shift in welfare studies
has barely reached the subfield of Christian democracy and the welfare state. More
discussion in this area is needed. The scope of this paper is thus limited to one country,
Germany, in an attempt to gain deeper insights into Christian democracy and the welfare
state in times of retrenchment.

The early experts of Christian democratic welfare politics found both motivation and
frustration in the lack of scholarly material about the connection between Christian
democracy and the welfare state. This call to arms has been followed by many, German

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Nonetheless, one particularly interesting area of study has, to my knowledge, not been touched upon by a single article yet: the case of two major Christian democratic parties in one country: Germany. Studying the German case is particularly interesting because it promises access to results that could remedy both of the shortcomings of existing literature mentioned above.

Concerning the need for more research on national contexts instead of cross-national differences, Germany is a promising target for more research. Its political landscape is shaped by two separate Christian democratic parties: the Christlich Demokratische Union (CDU) and the Christlich Soziale Union (CSU). While, as we shall see, the CDU and the CSU are far from equivalent, and while they operate in very different political settings, they nonetheless exist in one and the same national political framework. A comparison of the social policies of these two Christian democratic parties therefore has the advantage that all variables of cross-national difference can be ignored. A comparative study of the social policy of CDU and CSU thus exposes a whole new set of variables on a more profound level than quantitative comparisons of different welfare states could discover. An analysis of the German case and its two Christian democratic parties will therefore allow for a substantial assessment of current theory about the causal connection between Christian democracy and the welfare state.

The German case is just as promising to remedy the second shortcoming – the limited insights that we have into Christian democratic welfare policy in the age of welfare.

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10 The most notable research groupings in Germany include the so-called Göttingen school around Bochert and Lessenich, and the Bremen school around Neyer and Seeleib-Kaiser of the Zentrum für Sozialpolitik of the Universität Bremen.
retrenchment. If there are new developments or paradigmatic shifts to be observed at the nexus between Christian democracy and the welfare state in the age of retrenchment, then these shifts and changes should be most visible in a country that has more than one Christian democratic party. Debates between two parties tend to take place in the public sphere more so than one party’s internal debates do. As a result, press coverage about the contended issues is more extensive. Primary research should thus be most accessible and fruitful in this environment of two separate Christian democratic parties.

The time for this study seems ripe. A large-scale debate about social policy has been developing in Germany over the last few years. More so than ever, the social values of Christian democracy are being debated; and their applicability to practical Christian democratic policy is being discussed. The CDU and the CSU – always quarreling over one issue or another – have moved their debate to the area of social policy for the first time in their history. If the CDU and the CSU do indeed have different notions of the Christian democratic welfare state, then these differences should be most observable under current circumstances.

This essay argues, however, that these recent disputes between the CDU and the CSU over issues of social policy are not to be interpreted as proof of a programmatic difference between the two party’s convictions on welfare, but rather as an expression of a wider debate on the social notion of Christian democracy in the 21st century. The different sides of the debate can be found in both the CDU and the CSU. However, the CSU decided early to take a stance that defends the social values of Christian democracy
staunchly, if only for electoral reasons. The CDU took a more reform-oriented stance. In short: the party dispute is a result of the greater debate in the Christian democratic camp, not its cause.

In order to validate this thesis as well as to be able to draw valuable conclusions from it, this essay will progress by asking the following questions: What is the nature of both the party dispute and the general debate in the Christian democratic camp? Why is the Christian democratic camp of Germany not united on social policy in the age of retrenchment? How can the disagreement be explained? What do these explanations tell us about the nexus between Christian democracy and the welfare state in the age of retrenchment?

I. THE DISAGREEMENT ON SOCIAL POLICY IN THE CHRISTIAN DEMOCRATIC CAMP

“The CSU is the only real people’s party in Germany”\textsuperscript{11}, proclaimed Edmund Stoiber, chairman of the CSU, in March of this year. Students of political science at the University of Trier are told: “The CSU is more conservative and at the same time more social than the CDU.”\textsuperscript{12} An editorial in the \textit{Süddeutsche Zeitung} claims: “The CSU still takes catholic social doctrine seriously. Angela Merkel (CDU) seems to deem it part of

\textsuperscript{11} Excerpt from Edmund Stoiber’s speech in Passau on March 1st 2006: http://www.csu.de/csu-portal/csude/uploadedfiles/Reden/060301_Aschermittwoch.pdf
\textsuperscript{12} Excerpt from Prof. Dr. Adolf Kimmel, \textit{The political system of the Federal Republic of Germany}. Winter-Semester 2002/2003. Universität Trier. www.politik.uni-trier.de/mitarbeiter/kimmel/ws0203/v1_union.pdf
These and countless other examples indicate how deeply entrenched the opinion is that the CSU is “more social” than the CDU. Hence, both intuition and superficial judgment suggest that the debate about social policy in the Christian democratic camp runs along the party divide.

Indeed, the debate on social issues between CDU and CSU has a constant presence in the popular press of Germany in recent years. A country where the current number of unemployed gets mentioned and discussed in almost every news broadcast or newspaper, issues of welfare reform and social policy are omni-present. Not only does the Christian democratic Union of CDU and CSU take up debate with the social democrats. The Union itself is constantly quarreling about its common party line in social affairs. The CDU and CSU seem to forget every day that they have pledged to stand united and to discuss their differences internally before stepping into the public realm.

This dispute about welfare policy between the CDU and the CSU has reached a level of intensity that was never attained before. While the two Christian democratic parties have always quarreled, they were usually quite united on social policy. The fact that social policy has become such a “hot topic” all of a sudden seems to suggest that one of two variables has changed: the relationship between the two parties, or the nature of welfare politics. Let us examine the first possible factor: the relationship between the CDU and the CSU.

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A. Disputes about social policy between the CDU and the CSU

It can safely be assumed that the chairman of the CDU is more nervous when holding a speech in front of a congregation of the CSU than when she is speaking to a conference hall full of union leaders. Visits to Bavaria are rare for leaders of the CDU. In 2005, the CSU held its 60th anniversary and invited Angela Merkel to speak at the celebration. She agreed, and she spoke in her usual candor: “We know that we cannot manage without each other, even though things aren’t always easy between us.”14 It is not a coincidence that these words remind us of what an elder sister says to her small brother in times of brotherly peace – the relationship between the CDU and the CSU has often been characterized as such. In order to understand the dynamics that underlie the relationship of, and all disputes between, the CDU and the CSU, a grasp of the political landscape surrounding the two Christian democratic parties must first be established.

1. The set-up of the Christian democratic camp in Germany

Germany’s political landscape has produced a unique situation: the Christlich Demokratische Union (CDU) established itself as the leading party after World War II, and remains one of the two Volksparteien (people’s parties) that run nation-wide, alongside the Sozialdemokratische Partei Deutschlands (SPD). The CDU thus closely mirrors the nature of Christian democratic parties in neighboring countries such as the Netherlands, were it not for two differences: firstly, the CDU is decidedly inter-

14 Die Welt newspaper, CSU feiert 60. Geburtstag. December 3rd 2005
confessional.\textsuperscript{15} Having been founded with quite a direct tie to Christian theology, the CDU was fundamentally changed by its first chancellor. Konrad Adenauer, himself a practicing catholic, insisted on the separation of politics and religion. In fact, the CDU does not require belief in the Christian God. It only lays claim to the general values of the Christian tradition, while remaining open to non-Christians. This rather liberal religious outlook is quite unique amongst the Christian democratic parties of Europe.

The second abnormality of the CDU can be found in the fact that there is no CDU in one of Germany’s Länder: in Bavaria. The large southernmost Land is the only part of Germany in which the CDU is not represented. At its place one finds the Christlich Soziale Union (CSU). The CDU and the CSU are similar politically and have formed a continuous alliance on the organizational level since the first Bundestag met in 1949. The CSU is, however, an autonomous political party with its own chairman, headquarters, membership, congresses and organizational history.\textsuperscript{16} The alliance on the federal level – usually referred to as the CDU/CSU or simply as the Union – binds both parties to the agreement never to compete for each other’s membership, not to run against each other in elections, to always form a common Fraktion in the Bundestag, and to propose a common candidate for chancellorship before elections of the Bundestag.

With such a high level of collaboration, the formal division between the two parties seems like a benign and simple formality. However, the institutional implications of this

division have been defining for the political history of modern Germany. Remaining barely noticeable when all is smooth, the friction between the CDU and the CSU has emerged and almost erupted more than once during politically charged times, and it continues to be an issue today. The reason for this constant but contained friction is that real differences between Bavaria and the rest of Germany underlie the division between the CDU and the CSU.

To the foreign observer, Germany seems like a very homogenous country, which is undoubtedly reinforced by Germany’s centralized past of totalitarianism between 1933 and 1945. If one looks at a map of Europe from anywhere between the 16th to the 19th century, one finds France, Spain, Britain and Russia as one expects. In Germany’s place, however, one finds a patchwork of small city-states and counties that existed as independent states and monarchies for centuries. Only in 1871 was political unity achieved in Germany, and this “unification” through the Prussians under Bismarck was far from voluntary. Local differences and resentments are just as defining for Germany’s culture as they are for its political system – and they remain important to this day. Among all regions of Germany, Bavaria is known to unite the strongest local patriotism, anti-Prussian resentment, and separatist tendency, all of which cause a rather dismissive reaction towards Bavaria in the rest of Germany. Nothing illustrates this fact as well as the electoral failures of the CDU/CSU when they chose the leader of the CSU as their common candidate for chancellorship\textsuperscript{17}. The cleavage between Bavaria and the rest of Germany is real.

In this socio-political background, it is not surprising that the CSU never joined the national CDU. When a myriad of Christian political groups appeared out of the ashes of World War II in all of Germany, it quickly became apparent that they were concerned not to end up divided and weak as the Christian parties had been during the Weimar Republic. The national CDU and the Bavarian CSU had emerged by the end of 1945. Largely due to historical reasons and general opinion favoring an independent Bavaria, the CSU faced strong political pressure from the almost separatist Bayernpartei. The CSU therefore decided not to merge with the national CDU. It remained as the only local Christian democratic party not to have joined the CDU.

From these early days on, both the CDU and the CSU repeatedly stressed how close the two parties were in ideology and political purpose. During the first CDU/CSU party congress of Goslar in 1950, Karl Sigmund Mayr of the CSU stated clearly that CDU and CSU “have the same principles and purposes.” Addressing his fellow CDU delegates, Chancellor Adenauer agreed: “You all know that there is no difference between the Christlich Soziale Union and us, if only occasionally in expression and temperament.” Chancellor Adenauer foresaw exactly what was to define the relationship between CDU and CSU over the next decades: not programmatic differences, but temperament of party leaders and power politics.

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19 ibid. Page 182
20 ibid. Page 178
21 ibid. Page 156
The only serious example of programmatic differences between the two parties in the early days was one clash during the passing of the Grundgesetz, the basic law of Germany, which many CSU delegates opposed because they wanted Bavaria to be even more independent in the federacy. Apart from this fall-out, collaboration was close. Since 1947, the CDU and the CSU had formed the Arbeitsgemeinschaft CDU/CSU, which can be seen as the rudimentary form of the later CDU/CSU Fraktion. Work of the Arbeitsgruppe largely guaranteed programmatic accord. Part of this working group was the Sozialausschuss, a social committee made up of CDU and CSU social policy experts, in which agreement seems to have been clear and constant. In short, during their time of establishment, the CDU and the CSU had negligible programmatic differences at best.

The general relationship between CDU and CSU from the 1950s to this day can be summed up in a simple paradigm. The nature of their political co-operation is one of mutual dependence. The CDU needs the electoral support of the CSU to form a parliamentary coalition in the Bundestag. The CSU seeks to influence national politics through its alliance with the CDU. Hence, the stronger the CDU is politically, the less it needs the CSU. Policy differences have always been adapted to fit the level of political co-operation of the day, erupting when the CSU feels strong, and being toned down in

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22 Ernst Deuerlein. CDU/CSU 1945-1957: Beiträge zur Zeitgeschichte. Pages 182-183
23 English translation: “Working Group CDU/CSU”
24 Ernst Deuerlein. CDU/CSU 1945-1957: Beiträge zur Zeitgeschichte. Page 76
25 ibid. Page 83
times of great political strength of the CDU. The dominant variable in the relationship between CDU and CSU is thus political agreement, not policy agreement.

In practice, the three decades from 1950 to 1980 each illustrate a different level of political co-operation. During the 1950s, when Chancellor Adenauer was the unrivaled icon of Germany’s economic recovery after the war, political harmony between CDU and CSU was at its highest. Franz-Josef Strauß, the leading CSU politician of the 20th century, commented in 1955: “We depend naturally […] on the success of the Bonn government. If we had a weaker Chancellor than Adenauer, we could without further ado exert a more powerful trial of strength.”

The fading strength of Adenauer in the 1960s and the emergence of Strauß as an exceptionally ambitious leader of the CSU made for a qualitative change in the relationship between CDU and CSU, exacerbated in the 1970s by the fact that the CDU/CSU found itself in opposition for the first time. The CSU turned its autonomous position into an independent one, taking increasingly separate policy stances. The common conception that the CSU is more conservative and right-of-centre than the CDU dates back to these policy disagreements, especially to such forceful debates as those about the Berlin crisis of the early 1960s or the Warsaw Treaties of 1972, in which the CSU repeatedly took the more conservative stance. However, it needs to be clearly noted here that social policy was never at the forefront of the debate between CDU and CSU.

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28 ibid. Page 308
29 ibid. Page 312
CSU in those decades; disagreements lay exclusively in foreign, European and German policy.

In conclusion, the relationship between the CDU and the CSU is largely defined by power politics rather than policy. More concretely, policy disagreement only erupts in times of weak electoral performance of the CDU nationally in combination with strong electoral performance of the CSU in Bavaria. Fuelling this dynamic, the personal dimension is considerable as well.\textsuperscript{30} Friction between the two parties erupted into open conflict only when a strong CSU politician found no match on the side of the CDU.\textsuperscript{31}

Having established the secondary nature of policy agreement in the relationship of the CDU and the CSU, it is now possible to identify the differences on social policy between the two parties. An historical perspective is more appropriate here than a simple synthesis.

2. \textit{Historical perspective on the social policy of CDU and CSU}

The “S” in CSU strikes the eye. Whereas the CDU stands for “Christian Democratic Union”, the CSU boasts “Christian Social Union”. Is the CSU the more social party of the two? The simple answer is no. The difference in party names can be explained differently. In 1945, when a myriad of Christian democratic parties emerged all over Germany, almost all of them called themselves either Christian democratic or Christian

\textsuperscript{31} ibid. Page 312
social. Josef Müller, a leader of the CSU at the time, explained in 1955 that many of the party leaders opting for the “social” deemed it inappropriate for a party to call itself democratic when it was not the party that can be thanked for Germany’s return to democracy, but instead the liberation by external powers. When the CSU decided to remain autonomous, it obviously kept its name to differentiate itself from the name of the national CDU as well. The difference in party names – this simplest of all arguments – thus cannot prove the CSU to be more social.

A comparison of their respective party programs might give an answer. This endeavor, however, would provide more reliable conclusions about the literary quality of the respective authors than about the differences in their views on social policy. The times when programs still fundamentally varied and when they offered a concise perspective on the differences between political parties are long gone. Franz Walter, one of Germany’s leading political scientists and experts on Germany’s political parties, describes the modern reality of party programs as follows:

Nobody is interested in political programs, nobody reads them; nobody knows them, nobody needs them. Lofty programmatic ideals come in handy when celebrating the historic days of the nation in the conference halls of protestant academies. In day-to-day politics, it is more important to make sure that the workings of hardcore power politics are not disturbed by quixotic dogmatists.\(^{32}\)

\(^{32}\) Franz Walter, *Auf der Suche nach der Seele der Partei*. Spiegel Online, April 24\(^{th}\) 2006
Instead of looking for programmatic differences, one has to follow the path of social policy historically in order to get an understanding of the differences in social policy between the CDU and the CSU. As has been noted above, disagreements about social policy were not at the forefront of debate until the 1990s. Instead, the CDU and the CSU developed their social policy in a very parallel manner.

The 1950s were the defining period in the formation of Christian democratic social policy in Germany. Van Kersbergen’s case study of Germany includes a comprehensive summary of this time. He notes correctly that all political actors in immediate post-war Germany agreed that the state should have an active role to alleviate the dramatically desolate socio-economic situation that Germany faced after the war. When explaining why Germany adopted so many old welfare institutions from the Weimar and National Socialist period, van Kersbergen rightfully criticizes Jens Alber’s explanation – which claims mainly institutional inertia to have been the cause – by pointing out that, had the social democrats won the first election of the Bundestag in 1949, a comprehensive overhaul of all social systems could have ensued – a long-term goal of the Allies, it should be noted. Van Kersbergen ascribes the decision by the first CDU/CSU government to adopt many old institutions entirely to the fact that the old system suited the Christian democratic view of social policy to a large extent. Obviously, this conclusion suits the thesis of his book, in which he is attempting to prove that a specifically Christian democratic social policy does indeed exist. That might explain why

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34 ibid. Pages 111, 113-114
35 ibid. Page 114
van Kersbergen passes over another strong explanation for why the CDU/CSU government chose to re-institute the old welfare system, namely that the chaotic circumstances in Germany at the time called for fast solutions to the problem of missing welfare institutions.\textsuperscript{36} Important to note is, however, that van Kersbergen agrees with other scholars in that he does not mention a single deviation in social policy between CDU and CSU in this early period. Christian democratic social policy was very coherent from the beginning on.

The expansion of the German welfare state peaked in the early 1970s. First alarmed by the economic recession triggered by the oil crisis, German fiscal politicians started to realize the effects that future economic downturns would have on the German welfare system. The demographic factor was discussed in an alarming tone, and economic globalization had started to expose the issue of high labor costs due to employer contributions for social benefits and its effect on Germany’s competitiveness in a global economy. These realizations were exacerbated by the fact that the social democrats, in power for the first time, were still extending the welfare state, substantially worsening the German deficit.

In those days at the end of welfare state expansion, the CDU/CSU began to develop what is referred to by some as the “dual transformation of the German welfare state”:\textsuperscript{37} on the one side retrenchment of general programs and decreasing emphasis on the guarantee of the achieved living standard of workers, and on the other side an expansion of welfare

\textsuperscript{36} The monetary reform of late 1949 had not yet happened, almost the entire German economy was still a black market, and social needs of the population were extreme.
\textsuperscript{37} Bleses and Seeleib-Kaiser, \textit{The Dual Transformation of the Welfare State}
benefits for families and the “truly needy”. The Christian democrats distanced themselves more and more from the ambition of full employment, and started to prioritize on balancing state finances and unleashing market forces for renewed economic growth. Following the motto “more market mechanisms in the labor market”, the Christian democrats advanced together, even against strong outcries from the opposition and the general public. The Union stood united on social policy.

Seven years after the CDU/CSU had re-gained power in Bonn, the Berlin Wall came down, and Germany erupted in joy at the pending unification. Emotions were high, and Kohl’s position was uncompromising. This was the great moment of his chancellorship, as well as the goal of decades of Christian democratic Deutschlandpolitik – a policy field that had to do with nothing but the question of how to bring about unification. The result of this exaltation was a forging together of two dichotomously different economic and social communities.

Of course there were debates about the best strategy to unite these unlike parts, but the Christian democrats were surprisingly united around the strategy that the quickest way to obtain equality between the old and new Länder was to treat them alike. Much under value, East German funds were transformed 1:1 into the Deutsche Mark, the strongest currency of Europe at the time. The generous welfare systems of Western Germany were transferred to the new Länder. More precisely, one state of already worrying finances

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embraced a nation that could not compete in economic terms and whose people had been
told for more than one whole generation that responsibility for all decision-making and
for all welfare lay in the state. All at once, an enormous part of the working population in
the former GDR became unemployed with the collapse of the state-run economy, and the
exodus of the young and bright was unstoppable. If one wants to put it even more starkly:
in a few years after unification, Germany’s welfare state had exploded, while government
revenues had grown by little. Welfare expenditures in the new Länder reached two thirds
of their GDP, and an all-time high of 34.9% emerged in all of Germany by 1996.41

The conclusion to take away here is that the Christian democratic ambitions to
consolidate state finances and reform the welfare state to adapt it to times of slower
economic and demographic growth were intersected by the long-awaited unification of
Germany. For many years, the economic and political situation of Germany was so
dominated by the effects of unification that one could not talk of a status quo to be
analyzed, understood, and reformed. Only at the end of the century did the reality of the
German welfare state become clear. Many ascribe the malaise of the German welfare
state to the fact that the chance for a major overhaul of welfare systems was not seized at
the time of unification. Amongst these critics were such high ranking CDU politicians as
Kurt Biedenkopf and Wolfgang Schäuble.42 According to them, the already inefficient

41 Lutz Leisering, Kontinuitätssemantiken: Die evolutionäre Transformation des Sozialstaates im
Nachkriegsdeutschland. In Stefan Leibfried and Uwe Wagschal, Der deutsche Sozialstaat: Bilanzen –
Reformen – Perspektiven. Schriften des Zentrums für Sozialpolitik der Universität Bremen. Campus Verlag,
Frankfurt/New York, 2000. Page 95
42 Friedrich Merz, as quoted in Der Spiegel magazine, “Ich verstehe die CSU nicht”. Der Spiegel 16/2004,
April 10th 2004
welfare systems of West Germany should have been reformed before being exported to the new Länder.

Regardless of the validity of this interpretation, what remains undisputed is that unification brought uncertainty and chaos at a time when meticulous analysis and reform of the existing systems would have been needed. Instead, Germany was battling issues of such magnitude that serious debate about reforming the welfare systems was only possible at the end of the 1990s. Budget consolidation had been the Christian democrats’ main priority since the 1980s, and in the latter years of his chancellorship, Kohl finally achieved some results. In 1997, Kohl’s government passed a major pension reform, which inserted a demographic factor into the pension formula – the first paradigmatic reform of the German pension system as it undermined the ideological footing that achieved living standards are to be guaranteed absolutely. One year later, Kohl was dethroned after 16 years in power. The social democrats under Gerhard Schröder had promised during the election campaign to abolish the demographical factor should they get elected – a campaign move that proved to be quite decisive, as exit polls show – and so they swiftly retracted Kohl’s pension reform after they won the election. Only shortly after he had reversed the pension law, Chancellor Schröder realized the seriousness of the financing problems of current welfare state systems, and began to plan his own wave of reforms.

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3. Recent disputes about social policy between the CDU and the CSU

Between the lost election of 1998 and the year 2000, a substantial party financing scandal had disturbed the CDU. Many leading politicians of Kohl’s old guard gave up their leadership in a very short period of time. New leaders of the CDU emerged, amongst them Angela Merkel, now Chancellor of Germany, and Friedrich Merz, a young lawyer and finance expert who rose quickly in the ranks of the CDU. The dynamic between Merkel and Merz swiftly developed into a struggle for leadership, which was finally decided when Merz resigned all of his party functions in 2004. He is now active in a wide array of private functions; amongst them the supervisory board of the Deutsche Börse, the German stock exchange.

On the side of the CDU, Merkel and Merz are the protagonists of what was to turn into the most difficult period of political collaboration between the CDU and the CSU. Until 2002, the power dynamics were still largely undecided, since the CDU had lost so much of its leadership in the financing scandal. By 2002, when the CDU and the CSU decided on Edmund Stoiber as their common candidate for chancellorship, they stood largely divided, and then lost the election of the Bundestag. Many things changed during the second legislative period of social democratic government, however. The period between

47 A political office largely comparable to the Governor of a state in the US.
2002 and 2004 became the climax of dispute over social policy between CDU and CSU to date.

In 2003, Schröder’s government established a commission to investigate the social security system and to model the effects of possible reforms. Angela Merkel followed by establishing a commission for the CDU, with largely identical objectives. This commission, the Herzog Commission, produced a report that was to become the backbone of CDU social policy for the next years.

The year 2003 was a year of great hope. People and politicians were motivated to reform the German welfare system for the first time. The seriousness of the situation had become largely accepted, and politicians of almost all parties where arguing for the need for reform. Before the Herzog Commission published its report, Edmund Stoiber and the CSU were calling for the most radical reforms, while Merkel and the CDU were trying to keep all wings of the party together by demanding moderation in the speed and extend of reform.

After the publication of the Herzog-Paper – as the product of the Herzog Commission came to be called – the roles changed. Merkel, her leadership of the Union largely fermented by her initiative to start the commission, adopted a radical approach to reforms of welfare systems. The extremely reform-oriented Friedrich Merz was at the height of his influence on CDU policy.
The CSU did not follow this policy transition. Initially represented in the Herzog Commission by its long-standing social policy expert Horst Seehofer, the CSU left the commission because of fundamental disagreements about the direction into which the findings were leading: the direction of welfare retrenchment. The CSU lamented that the Herzog-Paper represented a directional decision that questioned the very pillars of a Volkspartei, a people’s party.48

The dispute between CDU and CSU became quite substantial. The Herzog-Paper exposed a deep cleavage between the CDU and the CSU. All of the four major parts of the German welfare system (pension insurance, unemployment insurance, health insurance, and long-term care insurance)49 were included in the scope of the commission. Largely based on a model of future demographic developments, it called for substantial reforms in all areas. Amongst them was the detachment of non-wage labor costs from healthcare expenditure, capital cover for the pension insurance system and an incremental increase of the retirement age.

The press coverage of early 2004 communicates a clear picture of dispute: the CDU and CSU disagree on most major policies: retirement, health, fiscal, and employment.50 The leaders of CDU and CSU make a point of disagreeing with the each other: when Merz proposes something, Stoiber disagrees, and vice versa.51 Seehofer claims that the CSU is the party for the common people, and that he is trying to get the CDU on the social track

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48 Associated Press Worldstream, German, National Politics, October 8th 2003
49 Wolfgang Streeck and Christine Trampusch, Economic Reform and the Political Economy of the German Welfare State. Page 176
50 Der Spiegel magazine, “Ich verstehe die CSU nicht“. Der Spiegel 16/2004, April 10th 2004
of the CSU.\(^{52}\) Merz rebuts by alleging that the CSU is hypocritical on social policy because it presses forward reforms in Bavaria, while resisting the larger nationwide reforms.\(^ {53}\)

The dispute was carried out over many questions of social policy, but one issue stands out and will be mentioned in greater detail here: the dispute over the financing system of Germany’s mandatory health insurance. Reinforced by the Herzog-Paper, the CDU and the CSU began reviving their old differences about a reform of the insurance financing. The two positions can be summarized as follows.

The CDU was arguing that the financing reform should focus on re-organizing the system by which the levels of individual health insurance contributions are determined. The current progressive rate, linked to the income level of the insured subject, was to be replaced by a flat rate to be contributed by each person. The needy and children would then be aided through a fund that was to be financed out of general government revenues. The CSU claimed that this flat rate was unsocial. According to them, such a system would favor the rich and increase strain on the needy.\(^ {54}\) Most CSU experts wanted the income transfer to take place inside of the health insurance system – through higher rates for people with higher incomes – not from without the system – through general revenues. The CSU thus proposed a mandatory health insurance similar to the system already in place, with the difference that all sources of incomes (including profits, rent, and interest) would factor into the contribution rate, and that all workers (including public officials,

\(^{52}\) Stern magazine, “Sozialer sein als Schröder”. Stern, July 29\(^{th}\) 2004
the self-employed and the privately insured) would have to participate. This type of system, however, was in turn rejected by the CDU, most probably because of the traditionally close ties that the CDU entertains with the pharmaceutical companies, as well as with the associations of doctors and pharmacists.

A dispute of such technical nature had major consequences. In April, Friedrich Merz had publicly mentioned the possibility that he CDU could leave the CDU/CSU Fraktion if the CSU continued to oppose CDU social policy. When Angela Merkel began to give in to the CSU on some points, internal debate became so staunch that Friedrich Merz dropped his party positions in the CDU. The staunchest opponent of CSU social policy had thus given up, and a compromise was duly reached in November. With the departure of Friedrich Merz, however, the CDU had undergone an important change in both leadership and program.

Until the elections of 2005, both Merkel and Stoiber were interested in bettering the relations between CDU and CSU in order to run a unified election campaign to finally regain power in Berlin for the first time again since 1998. This approach was not entirely successful, however. Both continued to defect on each other. Relations remained strained. The reciprocal alienation between CDU and CSU has been blamed by many to have negatively influenced the election campaign, and therefore the disappointing election

55 Stern magazine, “Sozialer sein als Schröder“. Stern, July 29th 2004
56 Wolfgang Streeck and Christine Trampusch. Economic Reform and the Political Economy of the German Welfare State. Page 189
57 Manfred Zöllner, Member of Parliament of the SPD. http://www.manfred-zoellmer.de/wahl/news.php?id=302
58 taz, die Tageszeitung newspaper. Konservative bejubeln Kopfpauschale. taz, November 16th 2004
results of both CDU and CSU. Nonetheless, the votes sufficed for a grand coalition with the social democrats, and so the Christian democrats are back in power after all. Social policy remains the most frequently disputed policy field, however. While the debate between Merz and Seehofer seems to have represented a peak in social policy disagreement between CDU and CSU, it was by no means a singular occurrence. These very days, another major disagreement is brewing: the *Eltern geld* (“parents money”), proposed by Ursula von der Leyen – CDU minister of family, senior citizens, women and youth – is largely contested by the CSU. The dispute between CDU and CSU seems to be a true dividing line in the debate about modern Christian democratic social policy.

**B. Disputes about social policy across the party divide**

Even though the policy clashes between the CDU and the CSU are real, it would be wrong to causally explain the debate about social policy in the Christian democratic camp by referring to the differences between CDU and CSU. There is much evidence that points to the existence of an even larger debate in the Christian democratic camp: not between CDU and CSU, but between two fractions in both parties that want to push Christian democracy into different directions. This evidence for a larger debate has to be visited before the nature of the debate in the Christian democratic camp can be conclusively defined.
It is indeed an oversimplification to call the CSU “more social” than the CDU. Firstly, the general gist on social policy reform changes periodically in both parties. After the lost election of 2002, we find Stoiber and the CSU as the main callers for radical reform. Merkel and the CDU argued for moderation and the importance of social values.\(^{59}\)

After the publication of the Herzog reform, Merkel and Merz carry the CDU to unheard-off levels of reform politics, while Stoiber and the CSU adopt the “social” side of the debate. At the CDU convention of 2003, Merkel’s radical reform propositions are celebrated with great applause. One year later, at the convention of 2004, her reformist spirit is gone, and she undoubtedly would have received even less applause than she already did, had she spoken about the need for reforms again.\(^{60}\) During the election campaign another year later, Merkel’s new general secretary, Volker Kauder, even promises that the Christian democrats would not cut welfare benefits if they were to be elected. The CSU’s Michael Glos insists that welfare reform must by necessity cause welfare cuts.\(^{61}\) The assignment of the “social” role in the Christian democratic camp therefore seems to be inexplicable if one seeks it at the party cleavage. The reasons for the debate about social policy in the Christian democratic camp must lie deeper than at the party level.

All evidence suggests that Christian democrats, as well as all other political camps, have never encountered a wider array of opinions on social policy in their own ranks than


\(^{60}\) Der Spiegel magazine. *Das Jahr der Schildkröte.* Der Spiegel 53/2004, December 27\(^{\text{th}}\) 2004

\(^{61}\) General-Anzeiger newspaper, *CDU/CSU streitet über soziale Einschnitte.* General-Anzeiger, June 15\(^{\text{th}}\) 2005
today. In these times of welfare retrenchment, old boundaries between policies, and therefore between parties, seem to have dissolved somewhat. The more market-oriented wing of the social democrats, the “Seeheimer Kreis”, defends much more radical social policy reform than the more socially oriented wing of the Christian Democrats. Another example is the wide political agreement between the social policy experts of the CSU and the SPD: Horst Seehofer and Ulla Schmidt.\textsuperscript{62} It is sometimes becoming hard to predict which parties will favor which policy.\textsuperscript{63} An illustrative example of this surrounds the proposed “parents’ money”: Initiated by the CDU minister Ursula von der Leyen, it is largely contested by other Christian democrats in both CDU and CSU,\textsuperscript{64} but defended by the Social democrats.\textsuperscript{65}

The most observable party-internal disputes in recent years have occurred between the same set of protagonists. In the CDU, the market-oriented wing centered around Friedrich Merz before he left active politics, and is now led by prime ministers of some Länder: most notably by Roland Koch of Hessia and Christian Wulff of Lower Saxony.\textsuperscript{66} On the more socially-oriented side, one finds other prime ministers: Jürgen Rüttgers of North-Rhine Westphalia, as well as the CDU prime ministers in the new Länder, who are careful with calls for radical reform because of the high levels of social dependence and the limited economic perspectives of their constituencies.

\textsuperscript{62} Mahler, Neubacher, Reuermann, Sauga, and Tietz, \textit{Reform-Haus Deutschland}. Der Spiegel 42/2003, October 13\textsuperscript{th} 2003
\textsuperscript{64} Frankfurt Allgemeine Zeitung newspaper, \textit{Eltern geld}. Frankfurter Allgemeine Zeitung, April 20\textsuperscript{th} 2006
\textsuperscript{65} Spiegel Online, \textit{SPD halt im Familienkrach zu von der Leyen}. www.spiegel.de, April 22\textsuperscript{nd} 2006
\textsuperscript{66} Christof Schult und Ralf Neukirch, \textit{Gefahr durch den Sieg}. Der Spiegel 17/2005, April 25\textsuperscript{th} 2004
At the height of his power in the CDU, Friedrich Merz exaltedly announced the end of the “socialist trend in the CDU” after his party had adopted the Herzog-Paper as the basis of its social policy.67 One year later, the constant struggle against the social wing of the CDU, as well as difficult relations with Merkel, had driven Merz into frustration and resignation.

More recently, the two groupings clashed over an article that Roland Koch had written for the Frankfurt Allgemeine Zeitung, arguably Germany’s most respected newspaper. In the article, Koch had stressed the importance of the principle of freedom in the program of the CDU. At the meeting of the CDU board of directors, Rüttgers replied that Koch’s view of the nucleus of the CDU program differed from his. He saw not freedom, but freedom and justice, as the nucleus of Christian democratic values. Rüttgers alleged that the CDU had shifted its three pillars – Christian-social, conservative, liberal – too far in the liberal direction. The conservative and Christian-social aspects had suffered in the process.68

Christoph Schult und Ralf Neukirch, two leading journalists at Der Spiegel magazine, claimed that Merkel was not altogether happy when Rüttgers won the race for prime minister of North-Rhine Westphalia.69 His opposition to Merkel’s reform politics was

68 Spiegel Online, CDU will soziale Marktwirtschaft neu erfinden. www.spiegel.de, December April 5th 2005
well-known. It is indeed interesting to note that Merkel’s calls for reform have become much more silent since Rúttgers’ star has risen.

The internal debate of the CDU on social policy has even caused old party leaders to speak up again. At the height of Merkel’s and Merz’s vigor for reform, Norbert Blüm alleged that Merkel was abandoning the German concept of the welfare state.70 When the current party chairman is criticized so strongly by the former minister of employment and social affairs who had led all welfare reforms between 1982 and 1998, the existence of an internal debate on social affairs becomes quite undeniable.

The very same internal debate can be found in the CSU. The Christian socialists have been led by two very different politicians over the last couple of years: Stoiber and Seehofer. Chairman Stoiber had been largely influenced by his mentor Franz Josef Strauß; his political style is defined by pragmatism, a respected grasp on finance and economics, effective aid to businesses in Bavaria, as well as superb management of the relations to all interest groups. The second in running, Horst Seehofer, is very different indeed. Son of a truck driver and construction worker, Seehofer has close ties to the population and interest groups of rural Bavaria. His policy expertise lies in health policy, of which he was federal minister between 1992 and 1998. Seehofer has widely differing political views than Stoiber in terms of social policy. Von Hammerstein, Knaup and Pfister, three leading political journalists, define Seehofer as “the social conscience of the

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70 Werner Bosshardt, CDU und CSU streiten um die “soziale Frage”. Tages-Anzeiger, October 10th 2003
conservatives, the last prominent representative of catholic social doctrine, the man who defended Blüm’s heritage.\textsuperscript{71}

Why would two politicians as different as Stoiber and Seehofer remain at the top of the CSU in a stable balance of power for years and years? The explanation lies in the fact that they are each supported by two different camps within the CSU: the market-oriented and the socially-oriented camp.

In conclusion, the debate about social policy in the Christian democratic camp of Germany is not defined by a dispute between the two Christian democratic parties, but by a dispute between two fractions that are present in both the CDU and the CSU. The externally visible cross-party disputes are thus not the \textit{origin} but a \textit{result} of the more general ideological debate of Christian democracy in Germany. Having identified the nature and extent of the debate, the next question can be approached: why is the Christian democratic camp of Germany divided in the age of retrenchment?

\section*{II. EXPLAINING THE DISAGREEMENT ON SOCIAL POLICY AMONGST CHRISTIAN DEMOCRATS IN THE AGE OF RETRENCHMENT}

As has been noted above, social policy was never the major topic of dispute before the 1990s - neither between the CDU and the CSU, nor amongst the Christian democrats at large. The temporal dimension must therefore play an important role in any approach to explaining the debate. Why has the disagreement only emerged in this intensity now?

What independent variables are causally related to the emergence of two separate fractions of Christian democrats that widely disagree with each other on social policy?

Possible variables that are causally related to the debate can be structured into two groups: the ideological and the practical. The ideological domain can be ruled out. Although Christian social doctrine is often referenced in the debate, these references remain largely rhetorical. The debates are too technical in nature to be related directly to differences in Christian social doctrine. There are no traces of *Rerum novarum* and *Quadragesimo anno*, the two papal encyclicals most directly related to social politics, in the two positions of the current debate on social policy. If the two sides of the debate would separate along the catholic-protestant cleavage in Germany, a case based on ideology could be made, but it has already been established that this is not the case. Furthermore, if there was a relation between the debate and catholic social doctrine, the socially-oriented fraction of the CSU would be sure to stress this, as few of their voters are not catholic. However, this is not the case either. The current debate is thus not causally related to Christian social doctrine.

One variable is fundamentally different now than at the time when social policy was not debated in the Christian democratic camp: the nature of welfare politics. Simply said: when the welfare state was being expanded, the Christian democrats of Germany agreed on welfare politics. Now that welfare retrenchment is the question of the day, disagreement is more intense than in any other policy field. Explanations of the

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dependent variable (the invigoration of social policy debate amongst Christian democrats) must therefore focus on the independent variables related to the change from welfare expansion to welfare retrenchment.

A. The independent variables of welfare state retrenchment

1. Pressing need for reform

The market-oriented camp of the Christian democrats is basing its argumentation on the growing and already pressing need for welfare reform. They obtain their sense of urgency from interpretations of current demographic and economic trends in Germany. The demographic problems have been known for a while now. More extreme in Germany than in almost any other country in the world, the effects of the contraction of the population on the financing of the welfare systems are so strikingly clear that even the German general public is well aware of them. Almost nobody still upholds the claim that this sense of urgency is only a normative interpretation – some sociologists offering the exception to the rule that is to be expected.

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73 The presence of the demographic issue in German popular discussion is wonderfully illustrated by two humorous popular cartoons that can be found in the Appendix.
http://www.uni-leipzig.de/~sozio/content/site/a_berichte/38.pdf
With only 1.2 newborns per woman, the German population is going through dramatic changes. The demographic diagrams below indicate the transition between 1950 and 2050.

This demographic development has such dramatic effects on the finances of the welfare state because it is coupled with three other developments: the lowering of the retirement age increases the number of people living on pensions. The rising life expectancy has the same effect. Longer lives also mean an increase in health care costs, exacerbated by the increasing costs of modern drugs and operations. Youth also spends more years in education today than during the time when the welfare systems were designed. The combined result is, therefore, that the working population of Germany is becoming much smaller in relation to the non-working population, as the following graph illustrates:
As Streeck and Trampusch note, Germany’s rate of employment is remarkably low.\(^{75}\) Because the welfare benefits of the non-working adult population are paid for by the working population, the demographical development of Germany poses an enormous problem for the finances of the German welfare system. The *Microzensus 2004*, Europe’s most extensive official household poll, shows the extent of these trends: in 2004, only 39% of all Germans relied on work as their main source of income. In 1991, the working population had been 5% bigger. The most notable drop was recorded in the male population: whereas 56% of males worked in 1991, the figure has dropped to a mere 47% in 2004. Germany’s Federal Office of Statistics,\(^{77}\) who released the poll, confirmed that the increase of both unemployment and the number of pensioners were the main drivers behind this decrease of the working population. 19% of Germans lived on pensions in 1991. By 2004, this figure had reached 23% - almost a quarter of the entire population. It

\(^{75}\) Wolfgang Streeck and Christine Trampusch. *Economic Reform and the Political Economy of the German Welfare State*. Page 174
\(^{77}\) Original title in German: *Statistisches Bundesamt*
is not surprising, therefore, that the most frequent calls for welfare reform propose an increase of the retirement age.

The second development that motivates reformers is the economic development of Germany. Linked to the demographic factor because slow economic growth causes high unemployment, which in turn represents a decrease of the working population and an increase in total welfare costs, the economic factor is just as important as the demographic one. Calls for reform therefore almost always reference these trends, as the following example of Edmund Stoiber’s calls for reform illustrates: “Social expenditures grew by an average 3.2 % between 1998 and 2002. The economy only grew by 2.3 % in the same period. We simply cannot afford this any more.”

2. Paradigmatic Changes in Welfare Politics

If the pressing need for reform was the only factor, there would be little debate about social policy reform amongst Christian democrats. The fact of the matter is, however, that welfare retrenchment is a form of politics where the voter feedback is clear, rapid and very one-dimensional: politicians who decrease the benefits of their citizens are swiftly voted out of office. With the exception of tax cuts, there are few political decisions as popular as the granting of new welfare benefits. Just as with tax increases, however, the retrenchment of welfare benefits is almost universally despised among voters. One scholar stands out as having analyzed the fundamental difference between the politics of

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welfare expansion and welfare retrenchment: Paul Pierson. His article *The New Politics of the Welfare State* proves one premise: welfare reforms do not get elected; and comes to a drastic conclusion: blame-avoidance is the name of the game in the age of welfare retrenchment.

Pierson makes a claim for all mature welfare states: welfare retrenchment reforms are usually a losing proposition. This claim holds to the fullest in the German case. The examples are endless, but the most clear and recent example will suffice: the last election of the Bundestag. Having built their campaign almost exclusively on the need for reform, the Union did not manage to capitalize on the drastic disappointment amongst the electorate about Schröder’s government. With only 35.2%, the CDU/CSU had to form a grand coalition with the social democrats. Most analysts try to explain this disappointing election result by claiming that the voters dismissed the eager reformers and elected the status quo.

Politicians understand this dynamic all too well these days. Franz Müntefering, the SPD vice-chancellor, famously refers to the electoral effect of welfare reforms by saying: ”that doesn’t pay off…” Horst Seehofer has stated repeatedly that entire elections can be lost on health care and pension politics alone. When the Economic Council of the CDU published recommendations that called for radical reforms, Chancellor Merkel went out

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83 Stern magazine, “Sozialer sein als Schröder”. Stern, July 29th 2004
84 Original title in German: *Wirtschaftsrat der CDU*
of her way to instantly underline that the Economic Council is not the CDU, but merely an affiliated advisory board.\(^{85}\)

The reason for this direct and drastic electoral feedback to welfare reforms cannot be ascribed to the ignorance of the electorate. “The Germans know all too well that things cannot go on like this,” states Spiegel magazine in 2005,\(^{86}\) and rightfully so. Polls from late 2004 state that 87% of German voters think that more reforms are necessary. Only 3% believe that reforms have already gone too far.\(^{87}\) Similar results emerge from a different poll in 2005. According to this study, 82% of Germany’s population believe that Germany is in “strong” or “very strong” need of reforms.\(^{88}\) The benefits of welfare retrenchment are clear to the voters. The costs, however, are even clearer, because they hit voters directly. Another representative study offers a striking insight: it asked both for voters’ awareness of the problems that the welfare state was facing, and at the same time it asked about the respondents’ own willingness to contribute to the solutions. While 94% of all respondents believed that the social insurance system faced “significant problems” or was “about to collapse”, 50% of them stated that they would be unwilling to retire later, 80% thought it unnecessary to lower pension levels, and no less than 80% disagreed with increasing the retirement age gradually to 67 years.\(^{89}\)

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\(^{85}\) General-Anzeiger newspaper, *CDU/CSU streitet über soziale Einschnitte*. General-Anzeiger, June 15\(^{th}\) 2005

\(^{86}\) Michael Sauga, *Fernab der Realität*. Der Spiegel 31/2005, August 1\(^{st}\) 2005

\(^{87}\) Der Spiegel magazine, *Das Jahr der Schildkröte*. Der Spiegel 53/2004, December 27\(^{th}\) 2004


\(^{89}\) Wolfgang Streeck and Christine Trampusch. *Economic Reform and the Political Economy of the German Welfare State*. Page 192
The polling data underlines what Pierson already stated on the theoretical level: the electoral effect of welfare retrenchment is so negative because the benefits of retrenchment are dispersed, while its costs are concentrated. It is thus not surprising that reform is slow in a country where an enormous part of the population receives some sort of welfare benefit.

A great example of this dynamic is pension reform. The sum of uncovered future pension benefits adds up to an astounding 1.5 trillion Euros at this point – two thirds of German GDP. A more pressing call for reform is hardly imaginable. However, as has been noted in the section on German demographics, the recipients of pension benefits make up almost a quarter of Germany’s population. Furthermore, they are the Christian democrats’ strongest electoral group: 60% of pensioners vote CDU/CSU. Is it surprising, therefore, that one side of the Christian democratic camp is resisting all kinds of welfare reform while the other fraction is nearing frustration – lamenting about how their children will ask them why they sat around when there was still time for change?

As with his assumptions, Pierson’s conclusions apply fully to the German case: blame avoidance is the name of the game. Extremely few reforms of welfare retrenchment are popular amongst voters. No praise to be gained, the number and the extent of retrenchment reforms is thus a function of the sense of urgency that the political camp

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92 Michael Sauga, Fernab der Realität. Der Spiegel 31/2005, August 1st 2005
93 ibid.
94 Dieter Althaus, CDU prime minister of Saxony, as quoted in Stuttgarter Zeitung newspaper, "Mir soll einer sagen, was am jetzigen System sozialer ist". Stuttgarter Zeitung, October 29th 2003
perceives, relative to the probability with which it can orchestrate the reform without being blamed excessively.

**B. New pressures and new politics have triggered a period of ideological re-alignment of Christian democracy in Germany**

The independent variables that have caused the increase in social policy debate have thus been identified: the demographic and economic pressures on one side, and the electoral politics of welfare retrenchment on the other. Paul Pierson’s thesis – that the politics of welfare expansion are very different from the politics of welfare retrenchment – is thus supported by the German case.

The conclusions of the last chapters suggest that the current debate is not just an intensification of a constant debate. Instead, the current debate seems to be as intense as it is because the entire political paradigm that determines Christian democratic social policy has changed. Indeed, it seems that the very concept of the *soziale Marktwirtschaft* – Germany’s unique type of welfare state – is being called into question for the first time since its conceptualization by the Christian democrats of the post-war period. Did the new independent variables – the pressing need for reform and the problem of blame-avoidance – really trigger a period of ideological re-alignment among the Christian democrats of Germany? This chapter argues in favor of this claim.
Germany’s concept of the welfare state – the soziale Marktwirtschaft – is a concept of inconsistency: it tries to unite Ludwig Erhard’s market economy with catholic social doctrine. This combination, this trade-off, has been the definition of the term soziale Marktwirtschaft since the Adenauer-CDU, and the social democrats approached it with their program of Bad Godesberg in 1959. It is this inconsistency that is now facing collapse. During the remainder of this essay, it will be argued that the debate about social policy in the Christian democratic camp is so intense because the task is so daunting. The protagonists of the reform-fraction perceive that simple reforms are not going to amend the problems, but that a real paradigmatic re-conceptualization of Germany’s soziale Marktwirtschaft is needed instead – a politically impossible task, of course.

The fact of the matter is that Germany’s soziale Marktwirtschaft has already evolved a lot during the last 50 years. The original concept, developed by politicians such as Ludwig Erhard, Franz Böhm, and Alfred Müller-Armack, has little to do with the problems of modern social policy, such as old-age care insurance and non-wage labor costs. The

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96 The analysis of the current German welfare state by Ralf Dahrendorf largely informs this chapter and supports the thesis of this essay. A former member of both the social democratic and the liberal parties, Dahrendorf’s wide array of positions – from professor of sociology and member of the Bundestag as well as the European Commission to director of the LSE and prorector of Oxford University – has gained him such respect that he is the only German after the Rothschilds to have been knighted in Britain and entered the House of Lords. His argument for a new conceptualization of Germany’s soziale Marktwirtschaft was published in the Frankfurter Allgemeine Zeitung of December 24th 2004, under the title: Wirtschaftlicher Erfolg und soziale Wirkung: Das Zukunftsmodell ist eine Marktwirtschaft ohne Wenn und Aber - in Verbindung mit einer gesicherten Grundausstattung für jedermann.

concept was born in order to establish market economy as the new economic framework after war and totalitarianism. Not only did Britain’s new Labour government exert much influence onto its sector of Germany in order to establish a planned economy, the array of social views united in the early CDU and CSU included blatantly socialist thought as well. Chancellor Adenauer’s staunch insistence on market economy suppressed these tendencies. The real push that established market economy as Germany’s economic order, however, was the force of chancellor-to-be Ludwig Erhard. His political engagement, and Adenauer’s support of him\(^98\), put an end to socialist tendencies in German Christian democratic thought. As the *Neue Züricher Zeitung* commented in an article on Erhard’s 60th birthday in 1957: “Erhard’s greatest feat lies in the fact that, in times when even liberals started to doubt liberalism, he gave the irrevocable proof that the market economy releases energies that a command economy cannot mobilize even through the most draconic means.”\(^99\)

The original conceptualization of the *soziale Marktwirtschaft* was not a combination of two opposed values, but a system of intricate design: the concept was to “have the social appear in the market and through the market”. This concept is very theoretical and difficult indeed, and that is part of the reason why it was transformed so much by the workings of practical politics. It was Chancellor Adenauer who changed the system from its unified theoretical conceptualization into a practical combination of two seemingly contradictory values: free market forces and catholic social doctrine. With this transformation, Adenauer robbed the *soziale Marktwirtschaft* of its monolithic

\(^98\) Even though Adenauer was extremely critical of Erhard in general, he agreed with Erhard’s convictions in the economic realm: the absolute supremacy of market economics over any other organizing principle.

\(^99\) My awkward translation
conceptualization, but the success of this model of contradiction probably lies in the
practical nature that Adenauer forged, not in the theoretical original concept. Nonetheless,
the conflict between the socially-oriented and the market-oriented components of the
soziale Marktwirtschaft are now re-appearing as Germany’s deepest structural problem,
causing the debate on social policy amongst Germany’s Christian democrats to reach
unheard-of levels of intensity.

2. The Conservative Dilemma

The combination of market-economy and social policy embedded in Adenauer’s notion
of the German welfare state is just as much a defining characteristic of the Christian
democratic electorate. The CDU and the CSU include what can be called a conservative
and a neo-liberal fraction. Under the new dynamics of the age of welfare retrenchment,
these two fractions clash like never before. Cordt Schnibben, one of Germany’s leading
journalists, describes this clash as follows: “the conservative Christian democrats want
security, stability and risk-minimization, while the neo-liberals call for radical reforms,
more private initiative, more risk, less state and more market.” “The Christian democratic
camp is disintegrating into reform-citizens and status-quo-citizens.”

This almost schizophrenic division of Christian democracy in the age of retrenchment is
most clearly illustrated by the award for the “Reformer of the Year”. Issued by the
reform-promoting initiative Neue Soziale Marktwirtschaft and the conservative

newspaper *Frankfurter Allgemeine Sonntagszeitung*, the last three awards were given to Paul Kirchhof, Friedrich Merz and Udo DiFabio\(^{101}\) - the first a professor who advocates a radical flat tax system, the second the leader of the neo-liberal fraction of the CDU, and the third a judge on the constitutional court and father of many who had just published a book in which he called for the return to values associated with the *Wirtschaftswunder* of the 1950s – a conservative pleading for the values of family, nation, and religion as essential features of life in a liberal society. The conservative dilemma between liberalism and conservativism could not be made clearer then by the choice of these three reformers.

The more pressure the new politics of welfare retrenchment exert on the situation in Germany, the more divided these two fractions of Christian democracy become, leading into a possible identity crisis of serious ramifications. The past election of the Bundestag already indicates this direction: caught up in an internal debate as to what reforms to undertake and when and how to communicate them to the electorate, the Christian democrats confused both fractions of their electorate. The discussion about Professor Kirchhof’s flat tax scared those leaning to the conservative side, and the return of such symbols of status quo as Horst Seehofer disappointed the neo-liberal fraction.\(^{102}\) The Christian democrats are realizing that the ideological re-alignment must occur soon, come what may. Time is working against the CDU/CSU. The *Volk* is getting more and more confused about its *Volkspartei*.

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\(^{101}\) Cordt Schnibben, *Das Bürgerliche Dilemma*. Der Spiegel 1/2006, January 2\(^{nd}\) 2006

\(^{102}\) ibid.
C. The general debate expresses itself in disputes between CDU and CSU

The chapters above provide evidence for the first part of the thesis presented in this essay: that the disagreement on social policy amongst Christian democrats is not carried out along the party divide between CDU and CSU, but between two fractions in both parties. It remains to be explained, however, why this general debate is nonetheless commonly perceived as a dispute between CDU and CSU. Thus, the question guiding this chapter is: why does the general debate in the Christian democratic camp occasionally express itself as a dispute between the two Christian democratic parties?

Let us assume a hypothetical original position as a starting point before a dispute between CDU and CSU. At this starting point, the CDU and the CSU are composed of politicians with the same ideological composition, acting under the same external influences by electorate and interest groups. Even if this starting point was realistic, it would not be likely that the CDU and the CSU end up with a unified social policy. The institutional and political framework that the two parties operate in favors a natural gravitation away from each other on the scale between status quo and radical reform. This is mainly due to two factors.

Firstly, the CSU has an interest to take a different political stance than the CDU for the sake of guaranteeing its independence and leverage on national debates. The CSU has played a political role on both the local and the national level ever since Franz-Josef Strauß developed ambitions in national politics. Stoiber continues this tradition. “I
represent a party without which the Union could not win nationwide elections”, he states, and rightfully so. The number of votes that the CSU contributes to the nationwide Union usually amounts to anything between 16% and 23%. The higher the ratio of CSU votes to the total, the more ministries the CSU obtains in a government coalition and the stronger its influence on national affairs. While the CDU and the CSU do not run against each other during Bundestag election campaigns, the ambition of the CSU to score as high as possible in comparison to the CDU is undeniable. There are many examples of situations where it happened to be opportune for a CSU politician to make a statement that would benefit the election result of the CSU in Bavaria while clearly damaging the result of the CDU in the rest of Germany. Some even claim that the disappointing result of the Bundestag elections of 2005 had a great deal to do with Stoiber’s remarks about “the East deciding who will be chancellor this time again” – remarks that were interpreted as direct attacks and stereotyping against the people of the new Länder.\textsuperscript{103} Stoiber’s speech was very popular in the south, but caused substantial uproar against the CDU/CSU in the rest of Germany, doing great damage to the campaign.

The natural tendency for the CSU as a whole to deviate from the political stances of the CDU is only exacerbated by the second factor: the contest for the common candidate for chancellorship. The leaders of CDU and CSU are usually the contestants over the candidacy, and in the years running up to the decision, the two are always in denial over the fact that their respective policy positions will prove decisive over who will get the

\textsuperscript{103} Der Spiegel magazine, “Härter, emotionaler”. Der Spiegel, 33/2005, August 15\textsuperscript{th} 2005
desired post.\textsuperscript{104} Many a populist statement and other disputes between CDU and CSU can be explained by the factor of candidacy.

This natural tendency for the CSU and its leader to differentiate themselves from CDU policy thus explains why we see differences between the CDU and the CSU that cannot really be explained by anything else other than election campaigns. From this perspective, it is only logical that the CSU should substantially deviate from CDU policy in a time like the current age of welfare retrenchment, where social policy produces a strongly negative electoral effect.

Indeed, the dispute over the Herzog-Papers between CDU and CSU is best explained following Pierson’s paradigm of electoral politics in the age of welfare retrenchment. The CSU seems to have realized the realities of retrenchment reform politics much earlier than the CDU did. When Horst Seehofer dropped out of the Herzog Commission in 2003, it seems very plausible that Stoiber and Seehofer decided to resist the reforms that the CDU was obviously going to propose out of fear of an electoral slash-back. If there was no direct agreement on this strategy, then it seems likely that the leaders of the CSU at least tacitly agreed that the CDU’s direction of reform and communication strategy were not going to be popular. When Merkel and Merz issued the results of the Herzog Commission, Stoiber and other CSU politicians instantly offered criticisms based on the question of social justice. Even the catholic newspaper \textit{Die Tagespost} did not buy into the sincerity with which Stoiber was making these social criticisms: “Stoiber is quite pleased that Merkel is going in an almost neo-liberal direction. It makes it much easier for him to

\textsuperscript{104} Christof Schult und Ralf Neukirch, \textit{Gefahr durch den Sieg}. Der Spiegel 17/2005, April 25\textsuperscript{th} 2004
sell the CSU as the more social CDU in the future, and to present himself as the savior of Germany, who, while willing to engage in reforms of the economic and the social sphere, will keep a close eye on the issue of social balance.”  

The extent to which the strategies of CDU and CSU differed during the period between 2003 and the past election in 2005 suggests an almost unique period of re-calibration of Christian democratic social policy in the age of retrenchment. The CDU under Merkel and Merz believed that radical reform was absolutely necessary, and that the CDU was conservative enough already. As long as the need for radical reforms was communicated correctly, the reform strategy would not be despised too much by the electorate. The CSU under Stoiber and Seehofer took the exact opposite stance. Stoiber himself had outgunned his own calls for radical reforms time and time again just some months before the Herzog-Commission. All of a sudden, however, he stressed nothing more than the responsibility of the CSU to guarantee that reforms remained socially just. Stoiber began to follow a strategy that followed the paradigm: the more radical the reforms we propagate, the less votes we get. The result was a re-invigoration of the catch-all politics with which the CSU has obtained its almost hegemonic grip over the political landscape of Bavaria.

It is not surprising that it was the CSU who took the position of the more social Christian democratic party during this period of dispute. For many decades now, the CSU has

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106 Friedrich Merz, as quoted in Der Spiegel magazine, “Ich verstehe die CSU nicht”. Der Spiegel 16/2004, April 10th 2004
brought to perfection what Kees van Kersbergen identified as the most defining feature of Christian democratic parties: the emphasis on compromise and catch-all strategy.\textsuperscript{107} David Broughton emphasizes this point by claiming that the CDU and the CSU are driven by pragmatism rather than principle,\textsuperscript{108} and that the Christian democrats are parties that exist to keep themselves in power rather than to achieve a certain kind of ideology.\textsuperscript{109} Whatever the validity of this rather provocative claim, he is right to point out that the very first sentence of the party programs of CDU and CSU state that they are *Volksparteien*, people’s parties.\textsuperscript{110} The CSU still obtains over 60\% of all the votes in Bavaria, having governed the Land ever since World War II. The social democrats in Bavaria are reduced to astounding marginality. Without a doubt, the concept of the *Volkspartei* has never been perfected to the extent of the CSU.

The insistence on catch-all strategy in the CSU is not a matter of choice, however. Generous social policy helped the CSU gain the almost hegemonic electoral grip over Bavaria that it guards till this day. Their policy track record is binding now. The CSU knows they can only keep such tight control of the Bavarian electorate if they do not give the Social democrats any leeway in social matters. On issues of economics and ethics, the conservative Bavarian electorate will remain faithful to the CSU, which is not the case for the CDU in all of Germany. In Bavaria, however, the welfare state is the only chance that the Bavarian SPD has left. The CSU is acutely aware of this, and will thus be very careful during the age of welfare retrenchment.

\textsuperscript{107} Kees van Kersbergen. *Social Capitalism: A study of Christian democracy and the welfare state*, page 178
\textsuperscript{108} David Broughton in Hanley, *Christian Democracy in Europe: A Comparative Perspective*, page 101
\textsuperscript{109} ibid. Page 102
\textsuperscript{110} ibid. Page 113
III. CONCLUSIONS

A. Christian democratic social policy in the age of retrenchment

In the age of retrenchment, the strain between the market-oriented and socially-oriented values that is inherently built into Adenauer’s concept of the *soziale Marktwirtschaft* is re-appearing as Germany’s most difficult structural problem, as has been pointed out. The new politics of welfare retrenchment delineated by Paul Pierson hold explanatory power in this situation, by predicting correctly that Merkel’s and Merz’s attempt to communicate radical reforms and get them past the electorate was doomed to fail. The conservative dilemma will in all likelihood be won by the conservative fraction in the Christian democratic parties. The neo-liberal wing is too small, and all interest group pressure from employers, industry and others\(^{111}\) cannot outweigh the electorate pressures that punish most welfare reformers.

Electoral politics thus decided the direction that Christian democratic social policy is taking in the age of retrenchment. The reform-fraction of the CDU has realized this now as well. Ever since the disappointing results of the *Bundestag* election of 2005, Angela Merkel has toned down her reform rhetoric by a considerable amount. Colleagues and electorate are thanking her for it – relations are good in the CDU these days, and Chancellor Merkel’s approval ratings are consistently high.\(^{112}\) The conclusion that compromise wins, even when the result is grey middle ground, has sunken in with the


Christian democrats. Focus on catch-all strategy has returned and the term *Volkspartei* appears much more often. The conclusion is simple, and yet it took dramatic years to be understood: “After all we are a *Volkspartei*. The people demand of us that we stand for socially just politics.”\(^1\) The fact that both the acronyms CDU and CSU end with *Union* is not an accident. Catch-all politics is only the modern term for the oldest of all ambitions of the *Union* parties: “to replace the old party type of the 19\(^{th}\) century with a political union; a permanently established, lasting community of action, formed by Catholics and Protestants, by workers and entrepreneurs, by farmers and craftsmen, by the self-employed and civil servants, from both city and country side.”\(^2\)

**B. The future of the German welfare state in the age of retrenchment**

While the scope of this essay only included Christian democracy, it allows some spin-off conclusions about the future of the German welfare state in the age of retrenchment.

1. *Supremacy of Electoral Politics*

Merkel and Merz had to learn it the hard way: honesty does not get elected. Basing their candid descriptions of future reforms on their trust that the people will honor truthfulness and honesty, Merkel and Merz campaigned by laying out the dramatic situation in Germany and by announcing radical remedies. The electorate got scared more than it was

\(^1\) Der Spiegel magazine, *Das Jahr der Schildkröte*. Der Spiegel 53/2004, December 27\(^{th}\) 2004

re-assured, and the social democrats managed to rebound off of this confusion. It is to be suspected, therefore, that the election campaigns of 2002 and 2005 were the last ones to be based on a hard-core call for reforms. Welfare reform will be campaigned for in a more retrenched way in the future, with much less transparency about the exact nature of reforms that each party is planning to carry out.

A second truth about electoral politics in the age of retrenchment is linked to the issue of truth in campaigns: election promises matter. A wonderful adage in German describes this fact: “Wahltag ist Zahltag”, meaning “election day is pay-day”. This is no news to German social politics: after all, the CDU only succeeded once in winning an absolute majority of the Bundestag in all of its 60 years of history: in 1957, right after Adenauer had announced the introduction of Germany’s generous pension system. Ludwig Erhard and other finance experts had warned incessantly about the inherently dangerous design of the system, should economic development and the fertility rate stall. Adenauer was well aware of the electoral potential of this reform, however, and he proceeded.115

Let us focus for a moment on the most socially-oriented statements by Christian democrats in recent months. CDU chairman of Rhineland-Palatinate Christoph Böhr stated in the Berliner Zeitung that the CDU is not the megaphone of the employers and of the industrial association. The unemployed should be at the center of Christian democratic social policy. While more welfare benefits cannot be expected, that should

not mean that benefit cuts are necessary. His colleague from Baden-Württemberg, CDU fraction leader Stefan Mappus, sounds similar: the Union has to show clearly that it is dedicated to socially balanced politics. The CDU has to make sure it does not come across as granting demands to businesses and the wealthy only, while demanding more contributions from the employed. Jürgen Scharf, CDU fraction leader in Saxony-Anhalt, demanded that the CDU and the CSU do not neglect the social components of Christian democratic politics. The social nature of the market economy was at stake.

The interesting common denominator between these three speakers is that, a couple of weeks after their respective statements, there were elections in all of their three Länder. On the 26th of March 2006, all three of them were eagerly waiting to see by how much their rhetoric had helped the results of the CDU. ¹¹⁶ Indeed, Wahltag ist Zahltag, and the Christian democrats have never been more generous.

2. Towards the Middle Path

The second group of conclusions about the future of Germany’s welfare state focuses on the programmatic equilibrium between Christian democrats and social democrats that is likely to be struck in future debates. Not only is a policy convergence visible amongst the Christian democrats after the disappointing results of the elections of the Bundestag in 2005. Policy convergence in the social realm seems to be a national phenomenon. Even

the boundaries of social policy between the SPD and the Union have been successfully argued to be no more than marginal these days.\textsuperscript{117}

As has been noted above, Christian democrats will not publicly push for radical welfare reforms any more, having learned their lesson in 2002 and 2005. The reform-wing of the CDU/CSU has given up on the hope to collect a majority for radical reform. The result of this is that the “fight for the middle” has become a “race to the left.”\textsuperscript{118} Merkel and Müntefering are currently trying to find out who can appear more socially-oriented.\textsuperscript{119} Professor Franz Walter describes the policy convergence between all parties as follows:

\begin{quote}
“The majority of the republic is, in short, a little bit social-democratic, a little bit neo-liberal, a little bit Christian, and a little bit green. [...] And so the parties are becoming the same patchwork as society as a whole. The more fragmented society, the more contradictory the programmatic pool of the parties.”\textsuperscript{120}
\end{quote}

Horst Seehofer is happy these days. After arduous years of fighting a united front of Christian democratic reformers almost by himself to defend a social dimension of Christian democracy that seemed like it would disappear forever, Seehofer can now lean back and enjoy the spectacle of the Union’s return to social values.\textsuperscript{121}

\textsuperscript{118} Hans-Ulrich Jörges, \textit{Gestatten, Gerhard Stoiber}. Stern, Nr. 32, August 1\textsuperscript{st} 2002. Page 38
\textsuperscript{120} Franz Walter, \textit{Auf der Suche nach der Seele der Partei}. Spiegel Online, April 24\textsuperscript{th} 2006
Indeed, Seehofer’s long-time credo seems to have been adopted by the whole of Christian democracy: “Moderation and the middle way”\textsuperscript{122} – that’s what he calls his program. When he feels lyrical, he terms it “You walk safest in the middle.”\textsuperscript{123} Will the reformers remain quiet, though? Jürgen Kluge, Director of McKinsey Germany, who has positioned his firm and name in countless commissions, interviews and events about reform in Germany, already warns in rhyme: “In Gefahr und höchster Not bringt der Mittelweg den Tod.”\textsuperscript{124} – “At times of great perils and danger, the path through the middle leads to death.” Maybe the middle way is exactly what Germany’s welfare systems need right now, though. The middle way, the great compromise, the grand coalition, might just be the only possibility for any reform to take place in the setting of retrenchment politics.

3. The grand coalition – unique opportunity for reform?

During the last few years, when the German welfare state was incessantly criticized in harsh terms, some voices were even arguing that the entire concept \textit{soziale Marktwirtschaft} had to be given up. This will not happen. If the few years of welfare retrenchment politics that Germany has experienced so far have taught us anything, it is that the population of a mature welfare state will not be lured into radical reforms simply be the communication of a strong sense of urgency. The German welfare state will survive. No exit strategy would ever get elected.

\textsuperscript{122} Marc Hujer, \textit{Merkels Schattenmann}. Der Spiegel 43/2005 October 24\textsuperscript{th} 2005
\textsuperscript{123} Stern magazine, \textit{“Sozialer sein als Schröder”}. Stern, July 29\textsuperscript{th} 2004
\textsuperscript{124} Mahler, Neubacher, Reiuermann, Sauga, and Tietz, \textit{Reform-Haus Deutschland}. Der Spiegel 42/2003, October 13\textsuperscript{th} 2003
Indeed, recent data on public opinion about issues of welfare and income redistribution indicates a renewed trust in the state. The constant call for reforms has caused unrest, but the people’s reaction was not – as might have been expected – to retreat into the private domain. Instead, a majority of Germans would be willing to pay higher taxes if the role of the state would be strengthened and social differences in society were flattened. 76% of respondents called for more income redistribution, while only 56% had held the same opinion a year before. There seems to be a solid consensus in the German population: a confirmation of trust in the welfare state and the concept of soziale Marktwirtschaft. This homogenous public support for the welfare state has always been a presumption about the Germans, and it seems to hold true even in the age of welfare retrenchment.

The current grand coalition government between the Union and the SPD can count on this public support for the welfare state. Taking into consideration the electoral politics in the age of retrenchment, where the party arguing for the least amount of reform is advantaged in electoral terms, the grand coalition could actually represent a unique opportunity for reforming the German welfare state. When one Volkspartei is in opposition, the governing party can never pursue reforms: it would instantly get shoved out of the door like Schröder was. Pierson and others stress the fact that any retrenchment reform needs to be based on a strong coalition between many of the important actors

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125 Online poll (n=620,000) Perspektive Deutschland, released April 26th 2006, as discussed in Spiegel Online, Mehrheit wünscht den starken Sozialstaat. www.spiegel.de, April 26th 2006
126 Lutz Leisering in Der deutsche Sozialstaat: Bilanzen – Reformen – Perspektiven. Page 96
involved in social policy making. The constellation of the two major parties being tied up in governmental responsibility together thus presents the opportunity to sort out the differences and embark on a common set of reforms before even fronting with public opinion. In this manner, the blame for reforms could be shared. The deadlock caused by the constant competition about which party is more social could be overcome.

This very week, the CDU and the SPD have each initiated a set of closed sessions to ponder over and re-define current programmatic stances on social policy. It remains to be seen whether these programmatic sessions result in the Union and the SPD taking up deadlock positions across a dogmatic divide, or if they manage to find common ground for reforms that could be carried out in their common legislative period.

However, even if the current programmatic sessions yielded common ground, what kind of commitment can the two Volksparteien expect from each other? In the current setting where any party benefits by deviating from a common course of reform and falling back into social rhetoric, both actors are facing a classic prisoner’s dilemma. Is the high level of collaboration between CDU, CSU and SPD that would be needed for a common course of reform even remotely realistic? Classic game theory as well as a healthy intuition of electoral politics in the age of welfare retrenchment suggests that one party will defect sooner or later. The chance of a stable equilibrium of collaboration seems slim – in all likelihood, the German welfare state will have to exist in the contradictory form of Adenauer’s sozialer Marktwirtschaft for quite a while longer.

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The German population is shrinking
“You wanna kebob spicy or no spicy?”
Will the German mission to Congo be a success?
“Let’s take the child soldiers home – we need more kids to pay our pensions.”
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