

On attempts to fend off locusts by shouting

Social democracy and the (verbal) critique of capitalism

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In recent years, in particular since the financial crisis, forthright verbal attacks upon particular forms of capitalism (or capitalists) have become commonplace. Labour leader Ed Miliband, in his 2011 speech to the Labour Party conference, referred to 'predators ... just interested in the fast buck', and attacked a 'short-termist culture' (Miliband, 2011). In a strident speech in Osawatomie, Kansas, President Barack Obama attacked the 'breath-taking greed of a few', and "'You're on your own" economics' (Obama, 2011).

All this is a far cry from Peter Mandelson's intense relaxation about people getting filthy rich. Indeed, not only has the financial crisis shifted the rhetoric of the centre-left, but the language of politicians of the centre-right has also changed, with criticism of excess in the private sector in a manner unthinkable even five years ago.

An early contribution to this debate was made by the then leader of the German Social Democratic Party (SPD), Franz Müntefering, in 2004 and 2005, when he compared particular companies to 'locusts', painting a provocative picture of capitalism's unacceptable face. This short, retrospective look at Müntefering's claims will set them in context and look at the response in Germany. It will argue that, although the shift in social democratic language was decisive, social democrats in Germany as elsewhere are some way from making the shift from strong rhetoric to having practical policy answers to capitalism's irresponsible face. The rhetoric may in fact be a sign of frustration at an inability to act, rather than an immediate intention to do so.

Franz Müntefering and the locusts

In December 2004, Franz Müntefering, who had succeeded Gerhard Schröder as leader of the SPD earlier in the year (although Schröder remained Chancellor), made a speech at the Friedrich Ebert Foundation, the social democratic think tank, on the subject of 'freedom and responsibility', concerning the development of the SPD's new party programme (a statement of the party's fundamental principles) (Müntefering, 2004; the following quotes are from this speech). The speech began with some statements characteristic of Müntefering, an exceptionally dry politician, not given to florid language: 'Better a short party programme than a long one. Definitely not too long. Truth is simple.' There followed the obligatory discussion of the need to rethink social democracy in the age of globalisation, Europeanisation, individualisation and new technology. Again, aficionados of Müntefering's dour style will have appreciated his desire to 'remove the value of freedom from the superficiality of the fun society and put it back in the place in our values that it belongs: first place.'

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The most striking passage of the speech (although it did not, at the time, provoke much response in the media) came towards the end, when Müntefering said:

We have to help those firms which are concerned with making their companies fit for the future and with the interests of their workers, against the irresponsible plagues of locusts which measure success every quarter, suck out capital assets, and then let companies go to the wall when they've stripped them down. Capitalism is not something out of a museum – it's a red-hot topic.

Müntefering repeated the metaphor in 2005, in an interview with the tabloid *Bild am Sonntag*:

Some financial investors don't lose any thought on the people whose jobs they destroy: they stay anonymous, have no face, come down on companies like swarms of locusts, graze them up, and then move on. We are fighting against this form of capitalism. (Müntefering, 2005)

This time, there was a lively, if rather predictable, immediate reaction, in the public, the press and the party.

The left-leaning vice-chair of the SPD Parliamentary Group, Michael Müller, declared himself 'delighted' with the public response to Müntefering's thoughts, with which he claimed nine out of ten agreed; his colleague Ludwig Stiegler proclaimed that 'people are noticing that we're not infected by the market-radical way of thinking,' and the left-wing Party Vice-Chair, Heidemarie Wieczorek-Zeul, congratulated Müntefering on finding 'the right tone' (*Spiegel*, 2005a). Meanwhile, Oskar Lafontaine, the former SPD leader who went on some months later to found the 'Left Party,' said there were other locusts called 'Gerhard' [Schröder] and 'Franz' [Müntefering], and said 'It's not words that count, but deeds' (*Spiegel*, 2005b). The head of the Employer's Federation, Dieter Hundt, said the debate made him 'want to puke,' and that it was 'unpatriotic,' as it would discourage investment in Germany (*FAZ*, 2005a). The senior CDU parliamentarian Ronald Pofalla called Müntefering a 'near-detherthal socialist,' while CDU leader Angela Merkel accused the SPD of a 'politics full of contradictions' (*FAZ*, 2005c).

Some critics went further: the historian Michael Wolffsohn saw parallels in Müntefering's comparison to the equation of humans with animals by the Nazis – an accusation which drew a furious response from social democrats (*Spiegel*, 2005c).

A few weeks later, a background briefing paper produced by the SPD's Parliamentary Group (never published, but seen by the media) sought to put some flesh on the bones of Müntefering's claim, and in particular limited their scope (*FAZ*, 2005b). Müntefering's attack was especially focused upon hedge funds and other investment companies: KKR, Apax, Carlyle, BC Partners, Advent, CVC, Permira, Saban Capital and Blackstone. These were noted to have bought German companies such as Siemens-Nixdorf in 1999: it was purchased by KKR, along with Goldman Sachs; €160 million were taken out of the company, and it was then floated on the stock market. Of the €350 million raised by the flotation, €225 million were taken out by KKR and Goldman Sachs, while just €125 million were left with the company (*Spiegel*, 2005d). For Müntefering, this exemplified the short-termist pilfering of solid German companies (and the very name Siemens speaks for German solidity!) by opportunistic foreign investors.

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Locust-bashers on the campaign trail: the elections of 2005

Why, then, did Müntefering launch such a strongly-worded attack upon the unacceptable face of capitalism at this juncture? Many detected opportunistic reasons: in May 2005, the SPD faced a critical election in Germany's largest state, North Rhine Westphalia, in which it had led the government since 1966 (unsurprising in an area including the Ruhr valley and major industrial centres).

Chancellor Schröder's SPD-Green government languished in the opinion polls: it had implemented many of the recommended reforms of labour market and welfare policy of the Hartz Commission, most controversially including the dramatic reduction of benefits to the long-term unemployed. Whereas prior to the reforms, unemployed people with a history of contributions could look forward to up to 60 per cent of previous net income (67 per cent with dependent children) for the first 32 months of unemployment, falling to 53 per cent (57 per cent with dependent children) thereafter, the Hartz reforms reduced entitlements to a minimum, subsistence level after 12 months (18 for the over 55s) (Kemmerling and Bruttel, 2006). For obvious reasons, this engendered huge insecurity amongst a substantial section of the German labour force, as well as halving the income of many long-term unemployed people at a stroke.

At the same time, the SPD had been, in government, generous in its concessions to potential foreign investors, making it hard to criticise hostile take-overs of German firms with any credibility: not only did it legislate to allow hedge funds to operate in Germany from 2003 onwards, it also reduced corporation tax, and cut tax liability for investors profiting from the sale of shares in companies (*Spiegel*, 2005a).

If Müntefering's aim was to reinvigorate the SPD's election campaign in North Rhine Westphalia, it failed abysmally. Although a high proportion of the German public expressed agreement with his claims in opinion polls (some 78 per cent agreeing, for instance, that for some companies, workers were no more than a 'cost factor' like machines – *Spiegel*, 2005e), there was also scepticism at the motivation: 57 per cent felt that his claims were just election campaign rhetoric, while only 30 per cent expected real consequences to follow. The subsequent election results in North Rhine Westphalia were a disaster: with 37.1 per cent, the SPD got its worst election result since 1954, and the CDU's 44.8 per cent comfortably took it into government. That very night, Chancellor Schröder announced his desire to dissolve the Federal Parliament and seek early elections, implying that he no longer had an effective mandate to govern (Pulzer, 2006).

At the same time, Müntefering's attack on the locusts gave some flavour of the election campaign which followed: Schröder, a brilliant campaigner, focused his attacks on the CDU's perceived 'neo-liberalism', and in particular on Angela Merkel's recently-appointed shadow finance minister, Professor Paul Kirchhof, who in the past had expressed support for a flat tax. Schröder disparagingly dubbed Kirchhof 'The Professor from Heidelberg', emphasising his remoteness from the concerns of ordinary citizens.

At the start of the campaign, Schröder enjoyed a lead of 17 per cent over Merkel on 'social justice'; by the end, it was 48 per cent (Pulzer, 2006, 567). It did not bring the Social Democrats victory: with 34.2 per cent, they lagged 1 per cent behind the Christian Democrats, but it did win them a position as the junior partner in a new, 'grand coalition' government with the Christian Democrats, in which Franz Müntefering took a position as Angela Merkel's Vice-Chancellor and Federal Minister for Labour and Social Affairs (although he stepped down as the SPD's party leader). The newly-formed Left Party (comprising the largely east German former communists of the PDS and the largely west German protest party WASG), with an election campaign spearheaded by Oskar Lafontaine,

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gained 8.7 per cent of the vote, clearly boosted by opposition to the Hartz reforms. The SPD's left turn, exemplified by the attacks on locusts, blunted but did not overcome attacks from both left and right.

Consensus on the critique of capitalism? Germany since 2005

Occupying the position of Vice-Chancellor in a grand coalition under a Christian Democratic chancellor, Franz Müntefering's critique of capitalism became rather subdued (1); he left government to tend to his terminally-ill wife in 2007.

Nonetheless, his message about the dangers of short-termism in the economy, and the need to rein it in, were prescient, with the subsequent collapse of the US sub-prime market and contagion spreading across Europe. This of course included, in dramatic fashion, the German banking sector – not highlighted by Müntefering – which had initially been thought secure. In making these points before the global financial crisis, Müntefering had used language which at the time would have been unthinkable in the UK, with its strong financial sector (which enjoyed substantial political leverage); arguably, had his words been heeded with, for instance, stronger regulation of the activities of speculators and hedge funds, the crisis might have been ameliorated, if not avoided. If in 2005, Germany had been regarded as a 'laggard' by not having an open market for corporate control, following the financial crisis the crux of his message (if not his choice of phraseology) is far more widely shared.

Following Müntefering's departure from government, some measures were undertaken to combat capitalism's perceived darker side. At the 2007 meeting of the G8, Germany's finance minister, the centrist social democrat Peer Steinbrück, argued unsuccessfully for the introduction of a 'code of conduct' on hedge funds: a proposal which fell after opposition from the UK and the US (*Economist*, 2007).

Subsequently, the grand coalition government, under Steinbrück, introduced the Risk Limiting Law in 2008, which introduced new obligations upon investors in German firms: it required purchasers of a holding of over 10 per cent in a company to reveal their identity and the source of their funds: it was explicitly intended to 'give locusts a hard time', as the *Süddeutsche* newspaper put it (SZ, 2008), offering companies more opportunity to resist hostile takeovers. In addition, there were new restrictions imposed on the sale of mortgage debt by banks.

In 2008, Steinbrück unveiled a 14-point plan to bring 'greater transparency and stability to the finance markets', including proposals to increase the personal liability of financial actors, impose stronger sanctions upon investors who did not provide information to works councils (including representatives of employees), strengthen European-level financial regulation and introduce greater regulation of hedge funds and private equity funds (SPD, 2008); some of these proposals were presented to the G-20 meeting in Pittsburgh in 2009, although most have not been taken forward.

At the same time, the period since 2005 has witnessed a shift away from economic liberalism by the CDU (and one which has continued during its coalition with the liberal FDP since 2009). The strongest advocate of market liberalism in the CDU, Friedrich Merz, was forced out of his role as leader of the CDU's parliamentary party in 2002, and gradually left the political stage. Increasingly, CDU grandees have taken to complaining about the 'social-democratisation' of their party: unhappy for instance at Angela Merkel's proposals for a minimum wage, alongside perceived departure from other hallmarks of post-war Christian Democracy, such as nuclear power, conscription and support for traditional family values (for example, Teufel, 2011).

This, in turn, has redoubled the pressure on the SPD to maintain its strident tone. The party's leader from 2009, Sigmar Gabriel, in a fiery speech to the party's conference in

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2011, called for more regulation of financial markets, and stated that the taxation of banks and speculators, which had required bail-outs, was a 'moral question and a question of political reason' (Gabriel, 2011).

Conclusion

Although there are no doubt other examples which might be found, Müntefering's attack on the 'locusts' marked an important turning point in the language chosen by the European centre-left, and subsequently by politicians more widely, to condemn the irresponsible face of capitalism.

There was, though, something specifically German about Müntefering's target: the focus on German companies being under (hostile, foreign) attack, in particular in the manufacturing sector. This sector had previously been associated with a focus on long-term investment both in technology and the workforce, stability for employees, and a meaningful role for trade unions and for workers' representatives on company works councils, underpinned by 'patient' capital, often provided by the *Hausbank*, with which companies often had a long-term relationship.

In fact, although this remains a vitally important part of the German economy (and one which provides the social democrats with an important electoral constituency, and advocates of the social market economy with part of their *raison d'être*), it is a sector which is in decline. Although close to 40 million Germans were in work in March 2005 (compared to 5.2 million unemployed), only around 26 million of them were in work for which social insurance contributions were payable – a good measure of full-time, reasonably paid work, with the remainder being on a mixture of low-paid work, job creation schemes, short-time working and similar measures (Federal Labour Agency, 2011). The proportion of the labour market covered by a sector-level wage bargain had fallen from 69 per cent in western Germany in 1996 and 56 per cent in the east to 59 per cent and 42 per cent respectively in 2005 (IAB, 2007, 48). If Müntefering's aim was to protect the conditions and security of workers, for many such an attempt would have been shutting the stable door after the horse had bolted – although of course there would be continuing economic sense and political advantage in safeguarding remaining stable, high-skill employers.

There are three broader concluding points. The first is that the financial crisis of 2007-8, with its enduring consequences, happened on the watch of governments of the centre-left in several major countries (notably the UK, Spain and Greece). As a result, these parties of the centre-left, and also the SPD in Germany and the Democrats in the US (owing to their previous spells in government), find it hard to avoid accusations that they should shoulder some of the blame for the lack of regulation which allowed the crisis to happen. Indeed, in the case of the SPD, they were also accused of having changed the law in a way which made easier the hostile foreign takeover of German firms. The centre-left therefore faces a significant challenge in establishing the credibility necessary to offer a persuasive critique of unacceptable forms of capitalism and to reign in the locusts. In some circumstances, this may offer opportunities to parties of the far left, and there is also the possibility of a greater degree of 'plague on all your houses' abstention.

Second, there has been some convergence in the language of policy-makers, both on the centre-left and beyond it; Franz Müntefering's reference to 'locusts' or indeed Ed Miliband's critique of 'predators' now appear more commonplace than striking. However, this need not reflect substantive agreement upon financial and economic policy. There remain substantial differences between the standpoints of centre-left parties in different countries: witness Labour's opposition to an EU-wide financial transaction tax, British resistance to

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Steinbrück's proposed code of conduct for hedge funds, or the distinctively German approach to the role of the European Central Bank (shared broadly by the SPD), amongst numerous other examples. The agreement in 2009, led by Barack Obama and Gordon Brown, upon a global stimulus package, now appears a temporary moment of harmony. And as politicians of the centre-left have been at pains to emphasise, although the centre-right may have adopted positions ostensibly critical of some excesses of capitalism, in practice their policy remedies fall short of those urged by social democrats.

Third, as Wolfgang Streeck argues in a brilliant recent piece, the financial crisis, rather than leading to the reassertion of the primacy of politics over economics, has potentially had the opposite effect, with international financial markets dictating to nation states narrow parameters within which politics must operate. This is happening first and foremost in those countries bearing the brunt of the crisis, such as Greece and, now, Italy, but also in stronger countries, including Germany. In Streeck's bleak view:

More than ever, economic power seems today to have become political power, while citizens appear to be almost entirely stripped of their democratic defences and their capacity to impress upon the political economy interests and demands that are incommensurable with those of capital owners. (Streeck, 2011, 29)

If Streeck is right, increasingly polemical rhetoric against the unacceptable face of capitalism may be a rational response of mainstream politicians seeking to prevent 'street riots and popular insurrection, [which] may be the last remaining mode of political expression for those devoid of market power', presenting a new alternative to mainstream democratic politics (Streeck, 2011, 28). Yet these expressions of anger would be, at once, expressions of impotence: polemicism becomes not the precursor to the taming of capitalism, but rather its alternative. And if this strategy of ramping up the rhetoric is pursued without substantive policy change, the failure to meet public expectations would lead to further public disenchantment with the widening gap between words and action, and further damage to the centre-left's credibility (not to mention the credibility of the democratic electoral process).

As such, it is incumbent upon social democrats, indeed upon democrats, not just to bemoan 'locusts', 'predators', or the derogatory term of choice, but to pursue an urgent quest for real political tools to confront and control them.

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Note

1. Müntefering even got to 'eat his words', almost literally: he got to barbeque and consume some locusts, in front of a delighted audience of Hamburg schoolchildren (*Abendblatt*, 2009).