

THE PROSPECTS OF THE GRAND COALITION IN GERMANY

by Hiltrud Nassmacher

The grand coalition of CDU/CSU and SPD was welcomed by the German people as well as by publicists. They all assume that the political deadlock of many years will be overcome by the joint government of the two major parties. This debate is based mostly on veto-players in institutional arrangements. Policies are more or less ignored, although in the 2005 campaign the different concepts in every policy field were accentuated very much. This paper therefore deals in a long term analysis with the party difference theory and will point out that decisions are also slowed down or even get stuck by different values and options put forward by the coalition partners. The findings will provide a background for considerations about a potential success of the grand coalition.

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PROSPECTS OF THE GRAND COALITION IN GERMANY¹

The pressure for reforms is similar in all established democracies, including Germany. This is true for all policies. Lower income caused by economic development and ageing societies is a burden on all budgets. This increases the pressure on political actors to speed up the decision-making process. In 2005 the grand coalition of CDU/CSU and SPD was welcomed by the German people. Many commentators

¹ I am grateful to Janine Artist, M.A., and Claire M. Smith, PhD, for improving my English style.

assumed that the political deadlock would be overcome by the government of the two major parties. Because the second chamber (Bundesrat) is the major veto-player in the German federal system, the current CDU/CSU majority in the Bundesrat was a high hurdle for the former red-green government (1998 to 2005), as until 2006 about 80 percent of all laws had to pass the second chamber. This led to early elections. People hope that the grand coalition under Chancellor Angela Merkel will overcome this restriction, which the SPD-led government could not evade.

Political analysis can approach the political process by looking at the polity, the politics and the policies, which are involved.² In terms of polity (institutional arrangement) the grand coalition is extremely powerful, because it controls both houses of parliament. In terms of politics (the struggle for solutions in decision-making) like each coalition the grand coalition has developed informal committees which organise the search for compromise. In both respects the German grand coalition has laid out its path for success. But what will happen in terms of policies (content of political decisions)? This will be in the focus of this article, which tries to answer the question: can we expect success from the grand coalition? The hypothesis is: Because of the different values of the political parties political decisions are slowed down or get stuck.

In the debate about the prospects of the grand coalition, policies are more or less ignored, even though the concepts of the major parties in various policy fields varied in the 2005 campaign, and are accentuated very much. Are there policies or issues, in which (due to a consensus on goals and strategies) decisions are easier? What are the impacts in the long run?

1. DESIGN FOR ANALYSIS

The above questions are not examined very closely in policy analyses, although researchers have established the importance of the party difference hypothesis in the veto-player approach³ and in party research as important.⁴ The party difference hypothesis is also confirmed for Germany, even though there are times, when the

² Nassmacher, Hiltrud, "Politikwissenschaft", München: Oldenbourg, 5th ed. 2004, pp. 2–5.

³ Tsebelis, George, "Veto Players and Law Production in Parliamentary Democracies: An Empirical Analysis", in: *American Political Science Review*, 93, 3, 1999, pp. 596–605.

⁴ The hypothesis was verified by many empirical studies. Schmidt, Manfred G., "Parteien und Staatstätigkeit", in: Gabriel, Oscar W. et. al. (eds.), *Parteiendemokratie in Deutschland*, Bonn: Bundeszentrale für politische Bildung, 2nd ed. 2001, pp. 528–550. Schmidt, Manfred G., "Politiksteuerung in der Bundesrepublik Deutschland", in: Nullmeier, Frank/ Saletzki, Thomas (eds.), *Jenseits des Regierungsalttags*, Frankfurt/New York: Campus, 2001, pp. 23–38.

differences between political parties as well as their representatives in parliament and government are not very distinct and the impression of a “grand coalition state” arises.⁵ This decrease in ideological distance may be caused by the fact that political parties strive for majorities in elections, or at least a maximum of votes. We can assume that parties will seek the maximum number of votes for all their policies.

The lack of research is simple to explain: the access to the polity and the potential for politicians to act within the institutional arrangement is easier to examine than the decision making in a specific policy. For economic reasons researchers look at changes in programs or campaign manifestos of political parties or in the agenda setting of governments.⁶ The content of the written material is compared with the policy output. Another research strategy is to identify legal amendments in different policy fields in the course of a legislative period. Researchers assess results in the light of goals and concepts propagated during the campaign.⁷ Until now these approaches dealt with examples or specific phases and are rarely comparable among different policy fields, as most scholars are experts in only one field.

In the past political scientists were not able to develop categories for the demarcation of the different policies, that are widely accepted in the scientific community. This is caused by the fact, that all policies include different programs and instruments, and are comprised of distributive, redistributive and regulative elements.⁸ As the latter are not popular among the public nowadays, distributive policies by financial incentives become common to set in train changes in people’s behaviour. However, after shortages in budgets and massive protests accompanying redistributive decisions the governments turn to symbolic action. Therefore one way to proceed in analysing and comparing the development of different policies in the long run, is to follow the organisational set up of governments under the various chancellors. I see in this analysis the ministers as representatives of their parliamentary and extra-parliamentary political parties, and therefore ministers’ activities are an indicator of the policy preferences of their parties.

⁵ Klingemann, Hans-Dieter/ Volkens, Andrea, “Struktur und Entwicklung von Wahlprogrammen in der Bundesrepublik Deutschland 1949–1998”, in: Gabriel, Oscar W. et al. (eds.), *Parteiendemokratie in Deutschland*, Bonn: Bundeszentrale für politische Bildung, 2nd ed. 2001, p. 512.

⁶ *Ibid.*, pp. 507–527; König, Thomas et al., “Regierungserklärungen von 1949 bis 1998. Eine vergleichende Untersuchung ihrer regierungsinternen und –externen Bestimmungsfaktoren”, in: *ZParl*, 30, 3, 1999, pp. 641–659.

⁷ Von Beyme, Klaus, “Der Gesetzgeber. Der Bundestag als Entscheidungszentrum”, Wiesbaden: Westdeutscher, 1997.

⁸ Nassmacher 2004, *ibid.*, pp. 130 f.

While choosing examples for the analysis one must also take into account the state of the art concerning policy research. One of the major findings of policy research is, that policies vary in the complexity of their decision making structures. This is due to the fact, that major interest groups surround some policies, which are strong and privileged (e. g. in self-governing bodies), and without whom decisions and an implementation of any policy would not be possible. Furthermore the decision making process is usually very complex, for example, if different levels of the state are involved with their own jurisdiction and additionally independent non-governmental organisations perform the implementation.⁹ Political parties have problems aggregating all the different interests that bring about conflicts among potential supporters and veto-players within the parliamentary groups of the parties. Governments have to anticipate this in their programs and actions.

My analyses on the prospects of the grand coalition will focus on labour market reforms, health care, pensions and family policies. These are policy fields that, on the one hand, take into account the above considerations on choosing examples for policy analyses, and on the other hand, these are policy fields where the pressure for reform in Germany is very high.

Because the social system depends on solidarity, the young working generation has to shoulder the burden of the social budgets. It is an alarming sign, that Germany is the country in Europe with the lowest birth rates. Therefore family policy must be a priority. Furthermore labour market, health and pension policies have something in common. Compulsory fees fund unemployment benefits, health care and old age pensions. Every employee pays a percentage of his wage to three separate systems of compulsory insurance. Each employer supplements such payments by the same percentage. The total of such levies is now 42 percent of all wages, which increases labour cost considerably. Many commentators as well as the actors of the grand coalition¹⁰ regard these extra costs as major obstacle for new jobs in Germany.

2. LABOUR MARKET POLICY

Labour market policy includes all measures intended to increase employment. Because unemployed figures have been rising since the 1970s,¹¹ shortages in social

⁹ Von Beyme 1997, *ibid.*, p. 222.

¹⁰ Koalitionsvertrag zwischen CDU, CSU und SPD, "Gemeinsam für Deutschland – mit Mut und Menschlichkeit", Berlin 11. 11. 2005, p. 11, 14

¹¹ About 5 million people in 2005 were unemployed, this ranges from 5 to 20 percent depending on the region.

budgets are a major problem. Therefore all parties are aiming at the same goal: a reversion of the development.

The major conflict in this policy arena is between capital and labour. The employers have to create new jobs, because a broad consensus backs the idea, that public administration has to become slimmer. However, there are different kinds of employers. For decades, politicians have recognised, that small and middle sized firms create more jobs. But they are also suffering from too many regulations, which they have to follow. Furthermore foreigners think the German economy is over-regulated. Therefore, and because employees are cheaper in foreign countries, e. g. Poland, firms of all sizes are leaving Germany. Since the 1990s, the reunification of Germany gave firms the opportunity to sell their products in a wider East German market without the pressure to innovate. The fourth generation heirs of middle sized firms tend to sell their inherited property to large investors, who often take the firms out of the market, leaving behind the unemployed as a burden for the social budget. Large companies favour the shareholder value and eliminate most jobs.

Employers also complain about a lack of skilled labour, while they themselves do not enough to contribute to the solution of this problem.¹² For example, they think that young people that finished school are unsuited for technical vocational training because of the lacks of certain knowledge. In the service industry young people often seem as unacceptable because of their lack of reliability and work morale. There are also conflicts among the employed and unemployed. Those who are diligent, intelligent, motivated for training, flexible, mobile and healthy are confronted with people, whose attributes contrast to that. However, inflexibility is often a result of raising children. As women are more burdened by this, the conflict between women and citizens with and without children arises. Furthermore there are prejudices against middle-aged and older job-seeking people, against foreigners and the chronically unemployed. Labour unions often take the side of the employed.

Besides these conflicts there is the problem that a lot of people are ready to claim benefits, which are more or less provided for them (e. g. young people at the age of eighteen leave the family homes as they know, that the rent for the apartment and the furniture in it are paid by the public purse). The implementation structure and the monitoring systems often show loopholes, and it takes time to remove them. But also the conflict between consumers and producers must be pointed out. Consumers always demand cheaper products and services and do not have a problem when employees (who may even be their own neighbour) lose their jobs.

¹² Nassmacher, Hiltrud, "Unternehmerische Anpassungsstrategien bei Steuerungsdefiziten auf dem örtlichen Arbeitsmarkt", in: Zeitschrift für Betriebswirtschaft, 53, 4, 1983, pp. 383-405.

The *targets and strategies of the major actors differ* very much. For decades labour market policy was a major responsibility of the ministry of social affairs – as it is again in the grand coalition. Relatively centralised associations of employers and labour unions negotiate wage rates and conditions of employment on their own. Employers prefer low wages, low social rates and low taxes, more flexibility, e. g. terminating employment, and more special agreements in firms with their employees. The labour unions expect that a reduction in working hours will create new jobs. They demand that employees get their share of profit from increases in production. Furthermore they prefer durable employment contracts and reject special agreements between employers and employees. The Federal Employment Agency – a self-governing body – has to implement the policy.

Social Democrats want to retain the traditional institutional set-up. However they try to make it more efficient by using the corporatist model (Concerted Action¹³, Alliance of Employment¹⁴). At the same time they try to push the corporatist collective actors to strive for more innovative agreements. Since the Labour Promotion Act of 1969 Social Democrats support an active labour market policy, providing financial support for training of the unemployed and for those creating new jobs for them. For example in local administrations temporary jobs were created through the so called ABM (General Work Creation Measures).¹⁵ A further target is to enlarge the income of the social security system by preventing illegal work and creating mini-jobs. New efforts besides traditional training methods, include activating and motivating the unemployed and providing intensive help for getting a new job. This is condensed to the formula “demanding and promoting”.

The Christian Democratic parties prefer a removal of regulations, to give employers more flexibility, and a cut back in the rights of labour unions and worker participation in the firms.¹⁶ They strengthen the interests of the employers in the thought

¹³ Konzertierte Aktion

¹⁴ Bündnis für Arbeit

¹⁵ Kiefel, Jens, “Das Politikfeld Arbeitsmarktpolitik”, in: Grunow, Dieter (ed.), *Politikfeldbezogene Verwaltungsanalyse*, Opladen: Leske & Budrich, p. 124.

¹⁶ This was quite different from the path, the CDU followed since decades (Schmidt, Manfred G, “Sozialpolitik”, in: Andersen, Uwe/ Woyke, Wichard (eds.), *Handwörterbuch des politischen Systems der Bundesrepublik Deutschland*, Opladen: Leske & Budrich, 4th ed. 2000, p. 538f.). The CDU „has never advocated dismanteling the welfare state.” (Klingemann, Hans et al., „Parties, Policies, and Democracy”, Boulder et al.: Westview 1994, p 196). The reason for this change of mind were the Free Democrats, the preferred coalition partner after the 2005 election.

that only with a growing economy will the state be able to face the challenges of an ageing society and globalisation.¹⁷

The decisions of the SPD-led government (2003) for more employment¹⁸ and the implementation of measures were criticised by the opposition as for not being far reaching enough. The means, strongly supported by Chancellor Schröder were regarded with scepticism by left wing Social Democrats too, because financial cut-backs in case of unemployment were included in the program. Since then the majority of the government was jeopardised.

Furthermore the bureaucratic dual responsibility for the unemployed was cancelled. Before that the Federal Employment Agency was in charge of those people, who had lost their jobs, and the municipalities were in charge of those people, who had never been employed before or were chronically unemployed. The local branches of the Federal Employment Agency and the municipalities now has to collaborate. The CDU criticised this, saying that it is inefficient.

After this reform, municipalities seized the opportunity to get rid of their financial burden. The municipalities considered a lot of people able to work in normal jobs at least part time or a few hours per day. This raised the number of unemployed in the statistics and the SPD-led government had a bigger problem than before.

We can sum up that there is a consensus among the parties in the grand coalition that further labour market reforms are pressing in order to save the major achievements of the welfare state. But the measures concerning the administration of unemployment, as shown above, are different. Both parties have to pay attention to the veto-players in their own party, i. e. the left wing of the SPD as well as the organisation of employees within the CDU/CSU. Financial cuts for the unemployed had already jeopardised the majority of the SPD-led government and led to early elections in 2005. The left wing of the SPD as well as the organisation of the employees within the CDU and CSU once and again point out the unfairness of the low financial support for elderly employees who lost their jobs after they had already paid their contributions to the unemployment insurance for decades.¹⁹

¹⁷ Restrictions came from the employees wing in the CDU and the CSU, so that the CDU/CSU/FDP coalition was not able to decide. Zohlnhöfer, Reimut, "Die Wirtschaftspolitik der Ära Kohl. Eine Analyse der Schlüsselentscheidungen in den Politikfeldern Finanzen, Arbeit und Entstaatlichung, 1982-1998", Opladen: Leske & Budrich 2001, pp. 137, 139f., 306 ff., 311, 372f.

¹⁸ Hartz IV-reforms 2003 recommended by a commission of experts chaired by Peter Hartz.

¹⁹ The Premier of North-Rhine-Westfalia once more put this problem on the agenda in November 2006.

The grand coalition introduced more checks to ascertain all misuses of financial support. But the approaches to the major conflicts in the labour market policy are slow. There were some decisions to lower the burden of a lot of firms in statistical matters²⁰ and efforts to lower corporate taxes. So far the debate on income policy for small wages has turned up two different models: minimum hourly wage (SPD) and state subsidies for the working poor, provided to their employers (CDU).

3. HEALTH POLICY

In the realm of health policy, care in case of illness and rehabilitation is usually in the focal point of interest. Meanwhile health policy focuses on all sorts of provision, e. g. educational efforts to prevent illness and lower costs. Not only the ministry of health, but also the ministry of consumer protection is involved in the policy arena. Because of the ageing society and the high costs of medical treatment, e. g. due to capital intensive devices, a cost explosion has taken place, meanwhile the income of the insurance decreased, due to high rates of unemployment and a rather low retirement age.

The national health insurance depends on the principle of solidarity. Everyone has a claim for appropriate, quality help in case of illness. As pointed out already every employee has to pay a percentage of his income as a contribution to the compulsory insurance and the employer has to add about the same amount. Besides this compulsory insurance there are private ones. Self employed individuals as well as better paid employees often choose a private health insurance company.

Due to the goal to distribute the risk for costs in case of illness to all insured persons, *latent or open conflicts* exist between those, who practice self precaution and others who do not have a problem putting the burden on the collective. Furthermore there is a conflict between those, who are taking risks in their job and leisure time, and those who are more careful and try to prevent accidents. There are conflicts between those who want lower quotas, and dare to pay for special risks themselves and others who want a full protection, between families and singles, the poor and the well-to-do. Furthermore conflicts between the almost 300 insurance providers (both private and compulsory) about costs and benefits arise. The physicians and the hospitals are in a competition for patients. The different physicians, hospitals and health insurances are in conflicts concerning the best medical care and medicine as well as about costs and payments. These conflicts include also the pharmaceutical industry and the pharmacies.

²⁰ www.destatis.de

Considering the solutions to these conflicts and the major problem of cost explosion, we have to anticipate the very strong collective actors in health policy: the health insurances, different physician associations, different hospitals employee unions, the pharmaceutical industry, the pharmacies, the hospitals and the health resorts. The government led by Social Democrats in the 1970s first tried to incorporate these collective actors in the decision making process, and make them loyal partners in the implementation of procedures. This was only partially successful. There are, on the one hand, cartel-like structures and, on the other hand, the competition tends to bring about more costs.²¹ Not only is the minister of health responsible for this. There is also a partial self-governance among the Health Insurance Physicians Organisation and the compulsory insurance agency, who are both responsible for the doctors' fees of patients, who are members of a compulsory insurance.

The parties composing the grand coalition are closely linked with their clientele: the CDU/CSU with the associations of the physicians and the SPD with the compulsory insurances and the nursing staff of hospitals. However the SPD has to recognise, that the pharmaceutical industry as well as those producing medical technical devices provide jobs, and therefore the party must also consider their interests and has to avoid too much criticism.

In order to achieve reform, the *special goals of the political parties*²² have to take a back seat to the overwhelming goal of controlling and lowering health care costs. Ministers of each government made efforts to work on this problem. As early as the CDU-led government in 1958 and 1961 there were steps made for reforms. The strong lobbyists caused the failure of the first try under an absolute majority of the CDU/CSU. The physicians strongly mobilised against this reform effort, which the scientific community detected as the first extra-parliamentarian opposition and a trend towards a state of lobbyists.²³ This led to a self blockade in the policy process. Also a second attempt at reform was not successful, although the minister had put together a package that should have met different interests. But when Chancellor Erhard took over, conflicts in the governing coalition and a stronger opposition prevented reform.

Fundamental reform efforts had to be postponed when a crisis emerged: the birth of children with highly abnormal extremities caused by contergan which their preg-

²¹ Döhler, Marian/ Manow, Philip, "Strukturbiildung von Politikfeldern: Das Beispiel bundesdeutscher Gesundheitspolitik seit den fünfziger Jahren", Opladen: Leske & Budrich, 1997. p. 113; Hinrichs, Ulrike/ Nowak, Dana, "Auf dem Rücken der Patienten. Selbstbedienungsladen Gesundheitssystem", Berlin: Links, 2005, pp. 14f.

²² See Klingemann et al. 1994, *ibid.*, p. 200.

²³ Gotto, Klaus, "Theodor Blank", in: Kempf, Udo/ Merz, Hans-Georg (eds.), *Kanzler und Minister 1949-1998*, Wiesbaden: Westdeutscher 2001, p. 141.

nant mothers had taken.²⁴ In the following decade initiatives concerning more research, consumer protection and promoting health education (e. g. about the dangers of smoking and sex) took place.²⁵ The recession of the 1970s forced the government to take steps to control expenditures in the health system, when minister Ehrenberg (SPD) institutionalised the “Concerted Action in Health Affairs.”²⁶ This effort failed, as once more the physicians protested. Ehrenberg was not able to find a sustainable solution. From 1983 on, even minister Blüm (CDU) tackled the cost explosion. He published “10 guiding principles”, but the lobby groups as well as conflicts in the governing coalition prevented a success.²⁷ Because the minister wanted to come to a consensus with interest groups, the reform was reduced to the lowest common denominator (1988).²⁸ Consequently Blüm worked on introducing nursing care for the elderly based on the health insurance model. After a decade of effort he reached this aim (1993/94). For a short time it took a burden off the social budgets, because many families now were ready to look after their grandparents.

Blüm’s successors again had to deal with the problem of high costs. Unfortunately not until minister Seehofer (CSU) took over in 1992 were there decisive steps for the better. Seehofer’s aim was, the regulation of demand²⁹ or cost containment, and he was able to swear in the top administrators of his ministry. In the first few years he was successful, as he was also able to assure the co-operation of the experts of the SPD opposition³⁰ to create a passing “grand coalition” in this policy field. The result was the strongest decision against the suppliers of health insurance, services and facilities up to now.³¹ The consensus among the decision makers was that the government should not interfere with the compulsory insurance. Because the decision-making process among the political parties took only a short time, the interest groups were not ready to stage a powerful action against this reform. The second step of the reform, which should secure the first step, was more problematic. The coalition partner in the CDU-led government, the FDP, which claimed to be involved in decisions in health affairs

²⁴ Metzler, Gabriele, “Schwarzhaupt, Elisabeth”, in: Kempf/ Merz 2001, *ibid.*, p. 646.

²⁵ Gerlach 2001a, *ibid.*, p. 697; 2001b, *ibid.*, p. 250.

²⁶ Hartmann, Jürgen, “Das politische System der Bundesrepublik Deutschland im Kontext”, Wiesbaden: VS, 2004, p. 238.

²⁷ Szmula, Volker, “Blüm, Norbert”, in: Kempf/ Merz 2001a, *ibid.*, p. 149.

²⁸ Rudzio, Wolfgang, *Informelles Regieren. Zum Koalitionsmanagement in deutschen und österreichischen Regierungen*, Wiesbaden: VS, 2005, pp. 195ff.

²⁹ Weinacht, Paul-Ludwig, “Seehofer, Horst”, in: Kempf/ Merz 2001, *ibid.*, p. 660.

³⁰ Manow, Philip, “Gesundheitspolitik im Einigungsprozess”, Frankfurt/Main: Campus, 1994.

³¹ Murswieck, Axel, “Gesundheitspolitik”, in: Andersen, Uwe/ Woyke, Wichard (eds.), *Handwörterbuch des politischen Systems der Bundesrepublik Deutschland*, Opladen: Leske & Budrich, 5th ed. 2003, p. 226.

(as it was put down in the coalition agreement) destroyed the passing “grand coalition” of the CDU/CSU and SPD in this policy field. Conflicts arose in 1996 about the freezing of quotas that employers had to pay for health insurance and the budgeting of costs for hospitals. The reform got stuck in the struggle of interests³² and Seehofer was shocked by the brutal egoism of the interest groups.

Under the SPD-led government (1998–2005) and the pressure of increasing extra costs on wages a “grand coalition” among the SPD and CDU/CSU could be brought together for a while. Seehofer (CSU) in collaboration with health minister Ulla Schmidt (SPD) played an important role in bringing about a partial consensus. The new rules resulted in an ease on the financial burden of health insurance, because legislation restricted visits to the physician via an “entrance fee.” The left wing of the SPD, as well as the organisation of employees within the CDU/CSU, regarded this as a burden for their clientele: low income individuals. Furthermore patients had to finance a bigger share of their prescriptions and pay more per day for a stay in hospital, steps that were already introduced under Chancellor Kohl (CDU).

At the end of 2003 the SPD-led government made efforts to dismantle deeply rooted privileges, such as the monopoly held by the organisation of physicians (Health Insurance Physicians Organisation). For example the physician’s organisation as part of self-governance decides, which physician should be allowed to run a medical practice for compulsory insurance members. The Social Democrats wanted to cut this monopolistic influence, as they were in favour of new physicians. The parliament only passed, that pharmacists can run more than one pharmacy and the mail order business in the trade of medicine. The aim of an integrated illness management (under the responsibility of a family doctor via a chip card which contains all personal health data and former treatment) made progress only very slowly until today.

We can *sum up* the results of the major reform efforts in this policy field: for decades the decisions against the different lobbyists were not far reaching and took place only in passing “grand coalitions” via quick actions. This will not be enough for the future. There is a consensus among the parties in the grand coalition that the costs of employment have to be reduced by lowering the quotas of the compulsory insurance. Furthermore, the parties agree that the costs have to be cut with more preventive medicine. The Social Democrats stick more to the principle of solidarity between healthy and sick individuals and more regulations for better management of illness. That is, the family doctor should be the primary care physician who advises the patient to go to a specialist. The Christian Democrats place more emphasis on the responsibility of the individual and the free choice of the doctor.

³² Weihnacht, in: Kempf /Merz 2001, *ibid.*, p. 660.

The grand coalition started with two different models for future reform. First: the SPD wanted a compulsory insurance which includes more members, such as the self-employed and civil servants, to pull more money into the system. Second the Christian Democrats consider a quota for each person of the same amount as dues for the compulsory health insurance, which should be subsidised for people with lower income by public money. Children should be free of charge (paid by public funds) and employer quotas for their employees frozen. Because after that the income of the insurance will only cover parts of the illness risks, people will have to pay for a lot of treatments and medicine themselves or will have to have a private insurance additionally. The CSU anticipated these social problems and financial burdens on the public budget.

Fortunately the fresh impetus of the economy since the summer of 2006 washed more cash into the public purse. More tax revenue enabled the grand coalition to put more public money into the health insurance, e. g. to unburden it from expenses for children, as was intended by the CDU. The SPD failed to take steps for a compulsory insurance for more people, but was successful with the intention to cut back the self-governance of the major lobby groups. The common interest of the coalition partners to insert more competition into the health system shall be achieved by a common pool for all compulsory insurance companies,³³ that will collect all contributions by employers and employees plus the public subsidies to the health system. Each insurance company will get the same amount of money for each insured person. If the individual company is not able to manage with this revenue, it has to raise extra contributions from the employees up to a given threshold. People may change the insurance, if they are not willing to pay more.

The reform is now approaching the legislature³⁴ and it seems, that nobody is really happy with the compromise, as the insured people will have to pay higher contributions to the insurance companies as the costs of illness are rising. Critics denounce the pool as a bureaucratic monster, thus it will not start until 2009. Meanwhile protests are common, e. g. strikes and go slow of employed and self-employed physicians and pharmacists. The major lobbyists are preparing to campaign against the health compromise.

³³ The private insurance companies remain untouched, as was the intention of the CDU.

³⁴ More than one year after forming the grand coalition.

4. PENSIONS POLICY

Pension policy should secure the standard of living in old age. As mentioned above, every employee as well as his employer has to pay contributions to the pension-paying agency. Besides the payments for pensioners out of this fund there are others, such as pensions with the employee's firm or from private insurance contracts. Because the society is ageing and the problems of economic growth are acute, pensions are becoming a heavy burden. Today fewer employees - education and studies last longer and longer and unemployment increases -, have to pay for those people who become pensioners very early.³⁵ In the 1950s pensions were already seen as a contract of solidarity between two generations.³⁶ But nowadays the increasing expenditures of the pensions fund have to be subsidised from the federal budget.³⁷

The *major conflict* is a general one. Younger generations are more and more reluctant to transfer a part of their income to the pension-paying agency - especially as they cannot be sure that they will get a pension to live on in old age. Older generations want to enjoy the rest of their lives without many financial restrictions, as they see the years after the Second World War as well as those spent on bringing up their children as a burden. The conflict between the poor and the well-off is epitomised by the example of housewives with very small pensions.

A further conflict exists between employees and employers. The employers regard the extra wage costs as an extreme burden in international economic competition. Therefore they want to decrease their contribution to the pensions fund for their employees. This would bring about a larger burden for the employees, who would have less money for consumption - which the labour unions regard as an important factor for economic development.

The economic miracle of the 1950s soon brought about an ease in the conflicts between the employer-friendly coalition partners in CDU-led governments and the employee and union friendly opposition SPD, and above all the employees and the pensioners. Such was the case in 1957, when the pension formula was given its shape. However, at this time there were also voices pointing out, that in international comparisons, the Federal republic was at the top in regard to welfare charges and taxes, and that the prosperity should be used to lower them. The minister of finance also

³⁵ Retirement age of men shall be 65, but really is 58.

³⁶ Schwarz, Hans-Peter, "Die Ära Adenauer. Gründerjahre der Republik 1949-1957", Wiesbaden: Westdeutscher, 1981, p. 331.

³⁷ About one third of the federal budget has to support the pension fund.

articulated doubts, as in times of recession large contributions for pensions had to come from taxes.³⁸

However, the social politicians argued that pensioners and war victims had not benefited enough from economic growth. Because pensioners are an important potential voter block for the Christian Democrats as well as for the Social Democrats, there was a *consensus for years among the top politicians* of these parties that higher payments to the pension fund were more appropriate than a decrease in payments to pensioners. This consensus secured majorities in parliament. The interests articulated by the employees' wing of the Christian Democrats, whose "citadel was the ministry of labour and social affairs"³⁹ under the CDU-led governments, the Social Democrats as well as the social interest groups were satisfied with the policy.

Until the 1970s, the output of the policy process was a redistribution policy according to the special clientele. In the light of economic development, government and parliament should have terminated it in the end of the 1960s at the latest. Instead of that, in the era under Chancellor Brandt (SPD) (1969–74), the social politicians had their "great hour."⁴⁰ The pension reform of 1972 was a tremendous burden on the social budget. However the upcoming inability of the pension fund to make payments was not noticed until the recession in the mid 1970s, which forced action against it. In the 1976 Bundestag campaign, the SPD promised an increase in pensions. But when this promise was not fulfilled, the media propagandised the catch-word "pension deceit". This led to the resignation of minister Walter Arendt (SPD).⁴¹

His successor Ehrenberg (SPD) took a lot of little steps toward unburdening the pension fund, which may be called crisis management. The pensions oriented on net wages should be only a passing measure,⁴² however this was too optimistic. A policy that consolidated pensions went on in a similar way, when in 1988 minister Blüm (CDU) combined higher quotas and lower pensions. He is famous for saying: "The pensions are secure". German reunification put another heavy burden on the pension fund, as citizens of the former GDR, who never paid into this solidarity fund, were entitled to claim pensions out of it. A better solution would have been to pay their pensions from taxes.

³⁸ Schwarz 1981. *ibid.*, pp. 333, 334.

³⁹ *Ibid.*, pp. 330.

⁴⁰ For figures see Alber, Jens, "Der deutsche Sozialstaat in der Ära Kohl. Diagnosen und Daten", in: Leibfried, Stephan/ Wagschal, Uwe (eds.), *Der deutsche Sozialstaat: Lanzen – Reformen – Perspektiven*, Frankfurt/ Main: Campus, 2000, p. 243.

⁴¹ Nassmacher, Hiltrud, "Arendt, Walter", in: Kempf/ Merz 2001, *ibid.*, p. 106.

⁴² Rudzio, Wolfgang/ Reyelt, Maren; "Ehrenberg, Herbert", in: Kempf/ Merz 2001, *ibid.*, p. 218.

A bill introduced by the major parliamentary parties brought about further cuts for pensioners. For example, time spent on education, vocational training and studies, which was previously generously imputed for pensions, were shortened and the age for claiming pensions was heightened. If we consider these reforms using current knowledge, considerations took place too late, as already in 1975 the pension fund had to pay more than was coming in.⁴³ Income decreased continuously because of unemployment and illegal work, while the group of pensioners became larger and larger (earlier pensioners in an older society). As the critical development of the cash position increased, the *consensus between the large parties declined* and in the 1990s conflicts arose. The demographic factor in the pension formula, introduced in 1997 by the CDU-led government to meet the above problems, was suspended by the SPD-led coalition and it took some years to find a new mode for cuts.⁴⁴

Once again, taxes had to fill the empty fund. Furthermore a new tax on mineral oil and electricity was levied for this purpose, against heavy protest from the CDU-opposition. This new source of income could lower the quotas for employers and employees. This reform however was not reaching far enough, and the SPD had to take further steps. In 2001 the minister of social affairs Riester had to announce that in addition to the pensions of the pension fund, everyone must save for himself in a private insurance supported by the state (Riester Rente). Furthermore, gradual cuts in the pensions continued and the retirement age increased. The saying of former minister Blüm “the pensions are secure” proved to be false.

At present the consensus in the grand coalition is that an additional private provision is necessary. Everyone knows now, that the distributive policy has come to an end, and “grand coalitions” which feature decisions that burden future generations are inappropriate. However, because pensioners are a great voter potential it is quite certain that cuts are taken in very small steps: the retirement age shall be lifted to 67 years from 2012 on.

The above review of the difficulties in the three policy fields in the long run indicate, that there is little room for reforms. Furthermore, the parties are still far apart from a consensus in certain issues. However, in order to address the huge public debt, the grand coalition has focused on a traditionally controversial field.

⁴³ Alber, Jens, “Der Sozialstaat in der Bundesrepublik 1950–1983”, Frankfurt/Main/New York: Campus, 1989.

⁴⁴ Hinrichs, Karl, “Auf dem Weg zur Alterssicherungspolitik – Reformperspektiven in der gesetzlichen Rentenversicherung”, in: Leibfried/ Wagschal 2000, *ibid.* p. 229.

5. FAMILY POLICY

Nobody expected that family policy would become the first priority of the grand coalition. This is new in Germany. A decade after the Second World War the Nazi past, which glorified motherhood, was seen as a burden on family policy. Also the optimistic prognosis of the first chancellor, Adenauer, that people would always have children, contributed to the fact that family policy was not at the top of the agenda. After reunification the nursery facilities of young children in the former GDR were seen to be ideologically charged. Not before the new century the family policy got much more priority. The sudden drop in birth-rates caused by the pill, the ageing society, the emancipation of women and the poverty of children were widely recognised. In the light of empty social budgets, families are increasingly regarded as islands of investment.

While marriage used to be a prerequisite for family policy, nowadays families are defined as a social context, where adults and children are living together in the long term. Sometimes even the elderly, who live together with them, are included. Regarding the *major conflicts* the core division is between libertarian and authoritarian values. In the past the Catholic Church stood for the latter. However since its influence has weakened, Christian Democrats also have to change their strategies. Considering family policy more closely multiple conflicts become distinct. Today the major conflicts are those between interests of the state and the individual, old and young people, men and women, parents and couples without children, poor and rich people, enterprises and private households. In the future the state needs enough tax payers and people who are filling the social chests to fulfil the contract between generations, e. g. the pension policy. Families often have the feeling that they are not estimated enough for bringing up children. The older generation wish for themselves an eve of their lives without too many cuts in their standard of living and with optimal service. Younger people do not want to carry the financial burdens caused by their parents. The conflict between men and women continues as bringing up children is after all still the task of women. On the one side, a working mother has to carry a double workload. On the other side, the state (having invested a lot of money in better education for women) cannot be interested in housewives and thereby run the risk of wasting human capital. However returning to the work force after a family leave is very difficult for women. Therefore there is a conflict between couples with and without children. In addition to that in theory women without children are able to stay in their jobs continuously. However, these women point out that a job may be combined with more physical and psychological stress, and more taxes and contributions to the social chests.

Each of the above conflicts is *valued in different ways by the political actors*. There are no strong pressure groups in this field except the (Catholic) Church, which is

very powerful in its protection of married couples with children and unborn life. The influence of the Church on the CDU/CSU remained distinct for a long time. Furthermore the CDU-led governments focused their policies on large families. Financial transfers should equalise the income and burden of raising up children. Families should have suitable houses as their own property, and therefore these, as well as the children's education, were supported financially.⁴⁵

These financial transfers were not removed by the governments led by the SPD. However, by the 1970s there were tendencies, to meet the trend of emancipation of women, which focused on employed mothers. For example those employed in public administration and working as teachers could stay at home with their small children and come back after leave of absence. The same applies to those with an ill child. An innovative model was the provision of child care by another woman when the mother was at work (Tagesmüttermodell)⁴⁶. The relations between man and woman in marriage were changed in favour of the women. With regard to unborn children the individual woman had priority for the SPD. This included a more liberal position on abortion; however this position was not without conflict in the party. The SPD worked more on facilities for child care in order to give mothers the real opportunity to continue employment.

After 1983, the CDU-led government centred again on stay at home mothers and backed motherhood. In contrast to the SPD Christian Democrats viewed facilities for child care for those under the age of three with disfavour. Furthermore they tried to save unborn life and provided advice and financial help. Meanwhile the CDU noticed that women do not want to be only housewives and now the party also targets the employed women with children, for example through her Family Minister, who has seven children. However, the decision about working mothers should remain the family and the burden of raising children should be appreciated more.

The *general finding* is that no government has cut back the financial incentives for families, and in fact they expended them more and more. Furthermore, the time spent on raising a child was increasingly recognised as a major task that has to be imputed in the pension. Parties acknowledged the value of children for the society in every phase. No government liberated the employers from the extra burdens that are caused by female employees who had to look after their children. Under the pressure of decreasing birth rate, more aged people, changes in life styles and empty federal budgets, the instruments that the major parties are considering seem more alike than years ago. For example, incentives for families were only cut for marginal

⁴⁵ Gerlach, Irene, "Familienpolitik", Wiesbaden: VS, 2004, pp. 193–199.

⁴⁶ Gerlach, Irene: "Katharina Focke", in: Kempf/ Merz 2001b, *ibid.*, p. 251; Gerlach, Irene, "Huber, Antje", in: Kempf/ Merz 2001, *ibid.*, pp. 325f.

areas by the grand coalition in June 2006, such as the financial subsidies for homes and support for children up to 25, instead of 27. Furthermore, the grand coalition immediately widened the financial support for young families.⁴⁷ Mothers shall get a considerable amount of their income as a state subvention to stay at home for a year after the birth of a child. If the father is ready to do the same two more months are subsidised.⁴⁸ The output was a compromise. While the CDU focused on well educated parents, the SPD did not. Federal policies try to motivate the Länder and the local politicians to provide more facilities for child care free of charge, including those under the age of three. Also schools should become all day institutions. Although the federal government provides money, political parties in the Länder and communities often stick to traditional priorities and thus hinder implementation.

6. RESULTS

The question, whether the different political goals or concepts of parties are a restricting factor for the speed of decision-making, can be answered with a clear yes. The party difference theory was confirmed by an analysis of the actions of the various governments in the long run. Conflicts in every policy-field demonstrate that different clienteles have to be targeted. On the one hand, this leads to goals, programs, as well as manifestos, issues and strategies, which are deeply rooted in the value system of each party. On the other hand, the large parties, which are now collaborators in the grand coalition, have to target a mass clientele of potential voters. When making decision the political parties are performing their duties on a narrow ridge. This is, they try not to dissociate themselves from their aims and values but they have to meet the problems of a changing environment. Furthermore the ongoing debate in the different policy fields shows, that decisions can only take care of specific aspects of a complex of conflicts and problems, which may be settled or solved for a short time.

Until now decisions in favour of reforms carried out by informal “grand coalitions” have supported distributive policies, e. g. in pension policy, which have now put a burden on future generations. Decisions to make cuts have brought about activities of the strong collective actors linked with the parties, as well as veto-players within the parties, for example in labour market and health policy. As has been shown, there were a lot of efforts for reforms, but a lot of them on major issues failed. Especially

⁴⁷ As already announced in Koalitionsvertrag 2005, *ibid.*, pp. 100.

⁴⁸ The bill passed the last step in legislation in November 2006 (www.bundesrat.de) and starts in January 2007.

in times of financial difficulties, we may expect that parties come along with stubborn negotiations, as everyone has in mind his special supporters. The only advantage these days is that the second chamber with its current CDU/CSU majority should not be the major veto-player for the CDU-led grand coalition.

This examination has pointed out, that in retrospect a lot of problems were taken up too late. The fact that distributive policies had to be terminated when tax revenue became stagnant and unemployment increased was noticed too late. This may have been caused by the perception of economic growth after the Second World War, which brought about a deep-rooted invisible, but effective “grand coalition” supporting all sorts of distributive policies, e. g. in pension policy, targeting a great voter potential. In addition to this decisions are made under uncertainty. Positive economic prognoses may have greater effects on political actors than negative ones, as politicians hope, that they will be overcome in the near future. Moreover windows of opportunity, as the unification of Germany, are often combined with unforeseeable costs, which restrict further decisions financially although they offer other sustainable values.

Among the different policies some increase in priority in specific times, e. g. family policy. Highlighting a new policy field and making decisions seems to be easier than a turnaround in a major policy field after years of the status quo. A termination of former measures or instruments brings about conflicts with special clienteles. Therefore, as shown in health policy, change can take place only immediately or partially.

The expectation, that the grand coalition will have problems sticking to the goal of budget consolidation⁴⁹, is supported by past experiences. Recent decisions in family policy show, that financial distribution is going on. In the different policy fields it became clear that solutions must include expenditure cuts. This is not so dangerous for people, who are well off, but it is for families living on small income, they have to reduce their standard of living. As the Social Democrats have already a strong rival in the newly formed party “The Left” and the CDU/CSU does not want to cut its link to the working class, any success that shall come about by budget consolidation, will not be very important. All steps for cuts will be taken with great care. But will this be enough to reinforce economic development in the long run?

⁴⁹ Koalitionsvertrag 2005, *ibid.*, pp. 11, 14. The current positive trend of economic development may make it easier to do more.