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**ALEX CALLINICOS**  
Crisis and Class Struggle  
in Europe Today

Alex Callinicos

## Crisis and class struggle in Europe today

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There is a scene at the beginning of Krzysztof Kiésłowski's brilliant film *The Double Life of Veronique* (1991) which captures very well the mood that swept Europe after the 1989 revolutions. A group of young women run down a Polish street laughing in the rain while, ignored by them, there lumbers past a lorry carrying a huge statue of Lenin, presumably to find its last resting place on some rubbish dump. The implication is plain enough. The nightmares of history have been banished, leaving us to seek fulfilment in a newly liberated personal life.

How distant the hopes raised by the collapse of the Stalinist regimes now seem. The passing of one nightmare has been followed by the reappearance of another, evoking even more hideous nightmares than the gulag archipelago. The triumph of liberal capitalism was followed by an economic slump which caught the entire European continent in its grip. And the chief political beneficiary of recession turned out to be fascist movements which have been able to make some spectacular electoral breakthroughs. Most notably Vladimir Zhirinovskiy's Liberal Democratic Party emerged with the largest bloc of seats from the Russian parliamentary elections of December 1993,

while in the Italian elections the following March the ‘post-fascist’ MSI/National Alliance led by Gianfranco Fini won some 5 million votes, 13.5 percent of the total poll, compared to a mere 5.4 percent in the previous elections.

A report by John Hooper in the **Guardian** summed up the atmosphere in Italy after the right’s electoral triumph:

There are times when the newcomer to Rome can feel a bit like Christopher Isherwood arriving in the Berlin of the early 1930s. The part-work being promoted most vigorously at my local news stand is ‘the first ever illustrated biography of Mussolini’. Elsewhere pride of place is being given to a **History of the Third Reich**. Opening my copy of **Il Giornale**, the daily owned by the all conquering Silvio Berlusconi, I find a large advertisement for a limited edition of Vittorio Mussolini’s ‘sublime masterpiece’ **My Father Il Duce**.

Last Saturday, the lower house of parliament elected to be its speaker a young woman whose principal achievement outside Italy has been to merit an entry in the **Anti-Semitism World Report**. If everything goes to plan, President Scalfaro will shortly ask Berlusconi to form a government that will give a neo-Fascist party a share in power for the first time since Mussolini’s dictatorship.’ [1]

In the event, when the right wing millionaire announced his cabinet in early May it included five National Alliance ministers, among them a deputy premier. The MSI also got 12 of the 37 junior posts, including deputy ministerships at such key ministries as interior (responsible for the police), foreign affairs, defence, finance, justice and education.

The fascist advance across Europe can be measured in other, more frightening terms than those of votes cast. Reporting an increase in racially motivated murders in the European Union from 66 in 1992 to 75 in 1993, the **Independent** commented, ‘A tidal wave of racial attacks continues to sweep the continent, accompanied by a surge in political support for far right organisations and a sharp shift in public opinion against immigrants and refugees.’ The most significant rise in racist killings took place in Germany, where they more than doubled

from 25 to 52 – which includes the appalling outrage in Solingen on 29 May 1993, when two Turkish women and three girls burned to death in a blaze started by Nazi thugs. [2] In May 1994 a fascist gang went on the rampage in the east German city of Magdeburg, hunting down and attacking foreigners.

But there is another side to the picture. Western Europe in the early 1990s did not only see the revival of the far right. There was a sharp escalation in industrial conflict: labour and capital were entering a period of major confrontations. After workers at Air France inflicted a humiliating defeat on Edouard Balladur's new right wing government, the **Financial Times** ('Europe's business newspaper', as it now proudly calls itself) mournfully warned at the beginning of November 1993: 'Growing labour strife looms across Europe'. A slightly later piece painted a panorama of industrial discontent:

Striking Air France workers wearing gas masks block runways at Orly airport in Paris. Beefeaters at the Tower of London go on strike in protest at government plans to shake up the civil service. Workers in Italy and Germany take to the streets against government policy. In Spain and Belgium unions threaten to wreck social pacts designed to create jobs. [3]

In fact, the struggles across Europe were provoked by the concerted attacks mounted by governments and employers on jobs, wages and services. The autumn and winter of 1993–4 saw workers' anger at this offensive reach high pitch. The Air France strike was part of a larger wave of resistance to Balladur's attempt to force through a large scale programme of privatisation. In Italy a four hour general strike on 28 October won the support of 14 million workers. In Belgium a series of strikes called by the two main union federations culminated in a general strike on 10 December, timed to coincide with the European summit in Brussels. In Germany the enormously powerful employers' and workers' organisations in the metal industry seemed to be lining up for a test of strength. In Spain the newly re-elected Socialist Party government of Felipe González announced a particularly vicious package of measures aimed at cutting wages and benefits,

and making it easier to sack workers and to employ young people on low pay. The unions reacted by mounting mass demonstrations in November 1993 and a general strike on 27 January.

This report on the general strike by a Spanish socialist captures something of the changing mood of workers throughout Europe:

The government and press lied in claiming it was only supported by 30 percent. The unions' figure of 90 percent was probably nearer the mark ... The atmosphere of the strike was magnificent – you could almost touch the anger in the streets. Flying pickets made sure all the workplaces closed down. There were lots of cases of sabotage of factories, locks on doors damaged, bus windows smashed, glue in padlocks on the factory gates, and especially lots of demonstrations, even in relatively small towns. [4]

Since it became common ground between much of the right and left throughout Europe during the 1980s that the organised working class is a declining force, this revival of labour militancy came as something of a surprise to most analysts and commentators. Yet the strikes and the fascist upsurge are closely related: they are aspects of the same phenomenon, responses to the descent of West European capitalism into serious and long term crisis at the beginning of the 1990s. This process can be seen most clearly in Germany, which in the space of the past five years has been transformed from the stable centre of European capitalism to a zone of instability that in turn transmits disruptive impulses to the rest of the continent. The electoral successes of the *Republikaner* and other Nazi parties, the racist outrages at Hoyerswerda and Rostock, Mölln and Solingen, occurred at the same time as the German workers' movement engaged in the most serious industrial conflicts since the late 1940s.

This article will explore the European crisis, analysing its nature and causes. Its focus will be on the developed capitalist democracies of Western Europe that form the core of the European Union and which, after the 1989 revolutions, seemed to offer the eastern states just liberated from Stalinism a model of economic prosperity and political freedom. It is the crisis of this model, and the process of class polarisation it has produced, which anyone

concerned to resist the rise of the far right and offer an alternative to it must understand. [5]

## The dimensions of crisis

Let us first seek to establish the three main dimensions of the European crisis. It is, in the first place, *economic*. The **Financial Times** reported at the end of 1993:

Overall output in the continent's 19 advanced industrialised countries is thought to have fallen for this year for the first time since 1975. Western Europe's jobless total is rising inexorably. The Organisation for Economic Co-operation and Development in Paris forecasts that 22 million, or 11.5 percent, of the region's labour force will be out of work in 1995. Unemployment, now about 10.7 percent, has more than doubled in the 18 years since the first serious recession of the post-war years. [6]

The recession of the early 1990s was all the more alarming because it came on the back of a decade of slow growth in Europe. Between 1979 and 1989 the annual rate of GDP growth in Western Europe was 2.2 percent, compared to 2.8 percent in the United States and 4.1 percent in Japan. Andrea Boltho accurately summed up the mood of Europe's ruling classes in 1993, the year when they were supposed to be experiencing the benefit of the single market agreed by the European Community in 1985:

Gone is the euphoria that embraced the area in the late 1980s, when the growth of output had (temporarily) surged. Its place has been taken by 'Eurosclerosis', a thesis already fashionable in the early 1980s, according to which the European economy is hopelessly ossified by overblown welfare states and powerful trade unions. [7]

The crisis is, secondly, *political*. Partly as a consequence of the recession, partly for reasons not directly related to it, Europe has been swept by a wave of disillusionment with, and hostility to, all the established political parties. The most extreme case of this phenomenon is, of course, Italy. The exposure by Milan magistrates of *Tangentopoli* – the systematic pillaging of the state

and reliance on large scale bribery from big business by the ruling parties, most importantly the Christian Democrats, politically dominant since 1948, and the Socialists, their key ally since the 1960s – generated an enormous popular revulsion. And this revulsion was directed against what Tobias Abse calls ‘one of the most rotten, vicious and murderous ruling classes ever to govern a West European country within the formal framework of universal suffrage and parliamentary democracy’. [8]

The result, at the level of electoral politics, has been an earthquake. In the Italian parliamentary elections of March 1994 the Socialists, who had won 13.6 percent of the vote in April 1992, vanished, while the Popular Party, the heir to the Christian Democrats received 11.1 percent of the vote, a fraction of the 29.7 percent share its predecessors had gained two years earlier. Berlusconi’s *Forza Italia*, formed barely three months earlier, together with its allies in the Northern League and the fascist MSI won 42.9 percent of the vote.

Less acute versions of the same malaise are to be found in the rest of Europe. In German it is called *Politikverdrossenheit* – being fed up with politicians. In Britain it is called John Major and extends beyond the profound unpopularity of the Tory government to a widely acknowledged erosion of the legitimacy of institutions such as the monarchy and the Church of England. In both countries the right had been able to win parliamentary elections on the basis of promises of economic prosperity – Helmut Kohl’s conservative-liberal coalition skillfully manipulated the euphoria surrounding German unification to secure re-election in December 1990, while Major’s victory in April 1992 on the basis of attacks on Labour’s tax policies and promises of rapid economic recovery has entered political legend. The subsequent betrayal of these promises created widespread bitterness and anger.

The experience of the Balladur government in France looks as if it will follow the same pattern. Swept to office by a landslide victory over the discredited Socialist Party in March 1993, Balladur asked the French people to give him a year to prove the success of his policies. By his own measure, the new government

must be accounted a failure, since its first year saw it buffeted by a series of embarrassing defeats – at Air France, and over education reforms and its attempt to turn young people into a pool of cheap labour.

And the spring of 1994 saw yet another European government in a state of near collapse. Having staved off apparently inevitable defeat in the previous year's general election, the Spanish Socialist Party under Felipe González was suddenly engulfed in a series of huge scandals over allegations of official corruption. The **Financial Times** reported at the beginning of May:

A former central bank governor and a former head of the stock exchange are remanded in a common jail. The ex-chief of paramilitary police is on the run. Two ministers and the ruling party's parliamentary leader have felt obliged to resign, joined yesterday by the head of the country's anti-drug programme. This week the whole of Spain has been gripped by the spectacle of a political crisis spinning vertiginously out of control ... The political discussion in Spain is not about whether the González era is coming to an end but about when and how. Will Mr González – who less than three months ago was turning down approaches to be put forward as the next president of the European Commission – end up like Mr Bettino Craxi, the disgraced former socialist prime minister of Italy, who was caught up in bribery scandal? Will the Spanish Socialists, the oldest political party in the country, cave in like their Italian partners or collapse electorally like the French Socialists on whose campaign they modelled their own when they came to power?

[9]

The plight of the González government indicates that, discredited though the parliamentary right may be, the social democratic parties which dominate the European left hardly conjure up an alternative capable of generating much enthusiasm. In part this is a consequence of the record of the Socialist parties in office, especially in France, Italy and Spain, which was notable chiefly for varying combinations of Thatcherite austerity measures and political corruption. But even where not tainted by recent exposure in office, the leaders of the reformist left have made great efforts not to differentiate themselves from their conservative opponents.



The description by Quentin Peel of the **Financial Times** of the strategy pursued by Rudolf Scharping, leader of the German Social Democratic Party (SPD), in the lead up to the federal elections due in October 1994 could be applied with little change to the approach pursued by the British Labour Party under Neil Kinnock and John Smith:

The challenge facing Mr Scharping is to demonstrate that his party is *regierungsfähig* – fit for government. He wants to persuade an essentially conservative electorate that his party's reputation for internal squabbling and utopianism is no longer true. [10]

The convergence of the SPD and the ruling Christian Democratic Union (CDU) and its allies at the centre of German politics was already well under way before Scharping took charge of the SPD. His predecessor, Björn Engholm, persuaded the SPD in November 1992 to support Kohl's policy of amending the constitution in order to restrict the right of asylum in Germany – a crucial act of capitulation to the government's racist campaign against asylum seekers which encouraged the far right's attacks on foreigners. It is widely predicted that, should the federal elections not lead to a decisive result, the SPD will enter into a Grand Coalition with the CDU and its right wing Bavarian partner the Christian Social Union (CSU).

This kind of consensus at the top of society in turn creates the space in which the fascist right can give voice to discontent that is denied any legitimate expression within the framework of the liberal-democratic polity. But the rise of the Nazi organisations must be seen, as I have already argued, as one aspect of a broader phenomenon that forms the third dimension of the European crisis: *class polarisation*. The anger and disillusionment with establishment politicians, the bitterness and hardship caused by recession, can push people in more than one direction. They can react by endorsing the racist right's claims that the crisis is the fault of some group of outsiders – Turks or blacks, Arabs or Jews – and that the solution therefore can only be achieved at this group's expense. Or they can see collective working class action, whose tendency is to unite working class people across the

barriers of race, gender and nation, as the only effective way of resisting the ruling class offensive which economic crisis has intensified. Or – since people often hold contradictory beliefs – they can be pulled simultaneously in both directions, sometimes influenced by racist ideas, but at the same time feeling the attraction of working class politics. Workers' struggles and racist reaction are both symptoms of the depth of the European crisis, the extent to which it is giving rise to tensions which can no longer be kept within the boundaries of normal politics.

These, then, are the dimensions of the crisis in West European society: a major recession which has highlighted longer term weaknesses of European capitalism; a withdrawal of popular support from the mainstream political parties; and the resort to forms of political and social action which, consciously or unconsciously, tend to escape the limits of liberal bourgeois politics. To help understand the dynamics and direction of this crisis a historical comparison may be helpful.

## **1968 and all that**

The last great upheaval in Western European history came at the end of the 1960s. A succession of social explosions – the workers' and students' revolt of May-June 1968 in France, the Italian 'May in slow motion' of autumn 1969, the Portuguese Revolution of 1975–6, and the mass strikes which accompanied the end of Franco's regime in Spain in 1975–6 – marked a major upturn in the European class struggle. Two factors in particular played a decisive role in precipitating this wave of struggles. First, the onset in the late 1960s of the economic crisis which brought the long post-war boom to an end led to a series of confrontations between capitalists concerned to raise the rate of profit and workers' organisations which had been able, in conditions of full employment, to build up considerable reserves of strength and self confidence.

This process, operative throughout Western capitalism, and therefore at work, for example, in the great industrial struggles under the 1970–4 Heath government in Britain, was given a greater intensity in southern Europe by a second factor. Chris Harman in his history of the upturn of the 1960s highlights the explosive conflict which developed between existing authoritarian political and social structures, which, in Italy, Spain, Portugal and even France, had been built on overwhelmingly rural populations, and the ‘enormous changes wrought by the long boom’. Rapid industrial growth in these countries led to a massive movement from country to city, and the large scale transformation of peasants into wage labourers. The new urban working classes created by these developments were no longer prepared to tolerate the oppression their parents had suffered at the hands of the landlord, gendarme and priest – or, in Spain, Portugal and Greece, the rule of right wing dictatorships. The social and political consequences of rapid capitalist development in southern Europe thus combined, with the first impact of the boom’s end, to make a volatile cocktail. [\[11\]](#)

The large scale class battles which ensued temporarily marginalised the reformist organisations and led to the political radicalisation of a substantial minority of workers, and thereby to the revival of the revolutionary left in Western Europe on a scale that had not been seen since the heyday of the Third International in the early 1920s. The gap, however, which remained between the far left organisations and the majority of the working class, together with these groups’ subjective political weaknesses, allowed the reformists – above all, in southern Europe, the Communist Parties – to regain the initiative and to re-establish control over the workers’ movement. The policies of class collaboration they pursued – the Historic Compromise in Italy, the Social Contract in Britain, the Moncloa pact in Spain – permitted the economic and political stabilisation of badly shaken capitalist societies. The result was the collapse of the far left in much of the continent, and a rapid decline in working class organisation and militancy which prepared the way for the great capitalist offensive

which unfolded in the 1980s under conservative and social democratic governments alike. [12]

In retrospect, once the great hopes and fears raised by May 1968 in France, the Italian hot autumn, and the Portuguese Revolution had been dissipated, commentators were quick to explain them away as a transitional phenomenon, the birth pangs which were perhaps the inevitable accompaniment to the development of modern capitalist societies in southern Europe. On the left, Régis Debray, theorist of Latin American guerrilla war turned adviser to François Mitterrand, argued that May 1968 was the product of the conflict between two Frances. The first, ‘industrial and technological France ... was in quick tempo, dynamic, open to the outside: since the war industrialisation and the concentration of capital had been advancing rapidly.’ The second France, ‘social and institutional France ... the France of sentiment and behaviour, was wedded to the leisurely pace at which values and customs evolve.’ The rebellion in 1968 against the oppressive structures of this second France was necessary to bring it into line with the first. Far from being, as the far left argued, a great dress rehearsal for full scale workers’ revolution, 1968 was:

the gloomiest demonstration of the Marxist theory of the finally determining role of the economic (technology plus the relations of production) ... The France of stone and rye, of the apéritif and the institute, was ordered out of the way so that the France of software and supermarkets, of news and planning, of know-how and brainstorming, could show off its viability to the full, home at last.

[13]

The same claim, that the workers and students who revolted in May 1968 were unknowingly preparing the way for the final triumph of modern consumer capitalism, has been advanced in theoretical terms very different from Debray’s highly determinist version of Marxism. Gilles Lipovetsky, for example, sees 1968 as part of the ‘process of personalisation’ which he argues is the dominant trend in modern Western societies. A variety of processes promote a narcissistic individualism, in which

everything – economic consumption, political life, personal relationships – is seen as so many vehicles through which individuals, each occupying an intensely private realm separate from everyone else, may express their desires. From this perspective, ‘May 1968 was already a personalised revolution, the revolt took place against the repressive authority of the state, against bureaucratic separations and constraints incompatible with the free movement and the growth of the individual.’ It therefore prefigured, not proletarian revolution, but postmodernist narcissism. [14]

A more cautious version of the same interpretation, stressing the contradiction between the conscious goals of those involved in the struggles of the late 1960s and the long term historical outcome, is offered by Paul Ginsborg, himself a former revolutionary, in his fine history of post-war Italy:

The student movement and later the revolutionary groups tried to achieve a cultural revolution in the sense of challenging most of the accepted values and institutions in which they were living ... Their ideals ... were those of social and economic equality, of collective patterns of social life, of direct democracy.

However, even since the postwar ‘economic miracle’, Italian society as a whole was following a quite different trajectory. As Italy became more urban and more secular, it did not, by and large, move further towards the values which surfaced in 1968, but further away from them. The society that was being forged in the image of the ‘economic miracle’ was one that accentuated atomisation and individualism, as well as further strengthening the family unit ... Italy’s modernisation as so many others, was not based on collective responsibility or collective action, but on the opportunities it afforded individual families to transform their lives. [15]

Thus in the 1980s, following a period of rapid economic growth, Italy overtook Britain as the fifth largest Western industrial country. ‘After nearly 20 years of intense social crisis, Italy seemed at last to have been pacified, and on capitalist terms’. This was the decade when, Ginsborg suggests, among the mass of the population, ‘the traditional values of the family’ were ‘wedded to

those of parliamentary democracy and consumer capitalism'. A report in the **Observer** captured the mood of the time:

Italy finally has become, in 1987, one of Europe's greatest success stories. Suddenly, this is a land of upward mobility, of vital computerised industry, bustling young business managers and slick middle-aged managers who have abjured their 1960s ideals in the sacred cause of profit. Class war is *passé*. Export or die. [16]

Yet barely had the 1980s ended when a political crisis overwhelmed Italy, ushering in an election where the softest techniques of mass advertising were mobilised to secure the victory of a coalition stuffed with admirers of that well known supporter of parliamentary democracy Benito Mussolini.

The Italian crisis could, at a pinch, be explained away as a consequence of hangovers from the past, of the incompleteness of Italy's capitalist modernisation. Even before the onset of the *Tangentopoli* scandal Ginsborg had noted that, 'while [Italian] society has undergone further rapid transformations, the political system and the form of state have been unable to adapt swiftly or to overcome their historic defects.' [17] For one right wing analyst, Edward Luttwak, Italy's crisis is that of a corrupt *ancien regime* in the process of being swept away by a peaceful revolution that is 'creating the preconditions of a normal state'. [18] The implication is that capitalist modernity is the cure rather than the disease. Such, at any rate, is Berlusconi's message: an Italian version of Thatcherism will sweep away the corrupt old order and usher in a new era of prosperity. What this diagnosis leaves out of account is the implication of some of the strongholds of Italian capital – for example, the Ferruzzi-Montedison chemicals empire – in *Tangentopoli*. Moreover, Berlusconi himself, far from being an outsider with clean hands, was able to construct his Fininvest media empire thanks to his associations with P-2, the Freemasons' lodge at the very heart of Italy's darkness, and with Bettino Craxi, the now disgraced Socialist Party leader. [19]

The Italian crisis is best seen as that of a specific form of capitalist development. The economic miracle of the 1950s and

1960s was made possible by the systematic intervention of the state to promote capital accumulation. This gave an especially important role to a particular section of capital, those whom Chris Harman calls the ‘political capitalists’, who were concerned less with the expansion of a particular enterprise than with ‘the development of the sibling capitals operating’ in Italy. [20] This kind of state capitalism was, of course, a general feature of the advanced economies after the Second World War. It assumed, however, an especially pronounced form in Italy as a result of the key strategic role of state enterprises such as IRI (the Institute for Industrial Reconstruction) and ENI (the National Agency for Hydrocarbons). The result was the emergence of what Guido Carli, a Governor of the Bank of Italy, called the ‘state bourgeoisie’: as Ginsborg puts it, ‘a new generation of public managers and entrepreneurs, very closely linked with the dominant political parties, not only wielded considerable power but also diverted substantial amounts of public funds into private channels.’ [21]

It was the interpenetration of these two groups, political capitalists and governing politicians, and the complex relationships they developed with private enterprise, which lay behind the web of corruption which spread through Italian society from the 1960s onwards. The ruling parties – above all the Christian Democrats and Socialists after they united in the first centre left coalition government in 1963 – fought ‘for control of the appendages of the State, citadels of patronage and finance’ like ENI, one of the biggest industrial corporations outside the United States. [22] At the same time, they were able to use their control of public fiefdoms to persuade private capitalists to pay generously for state favours. It was ultimately the greed of Craxi and other Socialist Party leaders which overreached itself, precipitating the investigations of the Milan magistrates that brought the *Tangentopoli* scandal into the open. [23]

Italy’s political earthquake thus reflected in the first instance specific features of capitalist development in that country – features which, while by no means unique, took an especially

pronounced form in Italy. Yet it cannot be seen simply as a peculiarly Italian affair. For it took place against the background of a general European crisis which, as we shall see, imposes a common plight on all the states in the region. Moreover this crisis is most acute in Europe's strongest capitalist economy, a society which, of the major European nations, was the least affected by the upheavals of the late 1960s – Germany. To understand this crisis properly we must examine the German situation in some detail.

### **Germany: the crisis in focus**

As the scale and political impact of the Great Depression became clear in November 1931, Leon Trotsky wrote a pamphlet called **Germany, the Key to the International Situation**. After surveying global instability in its different manifestations, he declared:

On this hardly peaceful political background of the world, the situation in Germany stands out sharply. The economic and political contradictions have here reached unprecedented acuteness. The solution is approaching. The moment has come when the pre-revolutionary situation must be transformed into the revolutionary or – the counter-revolutionary. On the direction in which the solution of the German crisis will depend not only the fate of Germany herself (and that is already a great deal), but also the fate of Europe, the destiny of the entire world, for many years to come. [24]

These words, like so much of Trotsky's writing on the rise of Hitler, have a prophetic quality. The situation in Germany today is, for reasons I explore below, very far from having reached the stage where it is balanced between socialist revolution and fascist counter – revolution – yet. Nevertheless, as in the early 1930s, the crisis in Germany has assumed a certain exemplary significance. This is for two reasons. First, the German economy is the largest in Europe and one of the main powerhouses of world capitalism. Immediately prior to unification in 1990 West Germany had the



fourth highest gross domestic product per head in the world, and was the world's largest exporter of manufactured goods. [25] Moreover, destabilising in various ways though unification has turned out to be, it has allowed the west German ruling class to shake off the relatively subordinate status they had occupied internationally since 1945, and to reassert Germany's claim to be a world power. The end of the Cold War and of the partition of Europe between the superpower blocs was followed by the expansion of Germany's influence in eastern and central Europe – a region to which its rulers had laid claim in the late 19th and early 20th centuries. What happens in Germany matters.

Secondly, however, this apparent renaissance of German power was undercut by the onset in 1992 of a recession described by the **Financial Times** as, 'by common consent, the worst since the war'. [26] Output fell by 1.9 percent in 1993, while unemployment reached a post-war high of 4.03 million in January 1994. Even the government acknowledged that this slump was not simply a temporary downswing of the business cycle, but reflected some more fundamental fault: 'We are not dealing with a normal recession', Helmut Kohl admitted, 'but with structural problems which have been building up for too long.' [27] Germany's abrupt transformation from Europe's strongest and most stable economy to a society in the grip of recession and social and political instability represents, in an intensified form, the contradictions experienced by West European capitalism as a whole in the 1990s. It can thus act as a lens through which a better insight into the nature of this more general crisis can be gained.

This transformation is all the more remarkable because until the end of the 1980s, the Federal Republic of Germany seemed to serve as the secure linchpin for West European capitalism. The French businessman Michel Albert coined the phrase 'Rhine capitalism' to refer to 'the German social market model of regulated, long term consensus capitalism'. [28] Among the chief features of this model are the following:

- i. relatively high levels of industrial output and employment, made possible by West Germany's success as an exporter of manufactured goods (particularly to the rest of the EC);
- ii. the long-term pursuit of monetary policies, directed chiefly by the Bundesbank (the German central bank), aimed at maintaining international competitiveness by minimising the inflation rate: a strong and stable Deutsche Mark has been one of the key means of obtaining this objective;
- iii. forms of economic organisation involving both a high level of state regulation and intimate institutionalised links between the banks and major industrial corporations;
- iv. an elaborate system of social bargaining between government, employers and unions designed to integrate the organised working class into West German society.

'Rhine capitalism' took shape during the economic miracle of the 1950s and 1960s. High growth rates, and the associated continuous increase in real wages, allowed the trade union bureaucracy to maintain firm control of their rank and file. West German capitalism weathered the upheavals of the late 1960s comparatively easily. With the exception of two waves of unofficial strikes in September 1969 and in 1973, the latter involving mainly unskilled women and foreign workers, the workers' movement remained comparatively quiescent. Though the West German student movement was among the largest and most militant in Europe it found itself almost completely isolated from the organised working class – a state of affairs which may help to explain that it spawned one of the most protracted left wing campaigns of individual terrorism, that of the Red Army Faction, a movement whose chief achievement was to legitimise intensified state repression of the left. [\[29\]](#)

Why, then, was this remarkably stable capitalist society pitched into crisis at the beginning of the 1990s? The most superficial explanations invoked an external factor, namely the impact of West Germany's absorption of the German Democratic Republic

(DDR) in October 1990. Undoubtedly, unification did play a part. The removal of state support and exposure to Western competition had a devastating effect on industrial enterprises in the former DDR. In 1990-1 industrial production in eastern Germany fell by two thirds. The DDR's workforce of nearly 10 million dropped to 6 million after unification: by the spring of 1992 there were 1.4 million unemployed, and at least 1 million more on short time working or job creation schemes in eastern Germany. [30] After 1989 one million east Germans emigrated to the west.

The social consequences of this economic catastrophe – open unemployment in the east was running at 17.6 percent in 1993, hidden unemployment at 30 to 35 percent – have been traumatic. According to the historian Jürgen Kocka, 'The east German birth rate has fallen by 60 percent and the marriage rate by 65 percent between 1989 and 1992. Declines of this magnitude are extremely rare. Only the Great Wars offer similar examples.' [31]

Collapse in the east in turn affected the west. The federal government sought to prop up the east German economy and prevent large scale social disorders through huge financial transfers – estimated to be likely to average DM 150 billion a year throughout the 1990s. Public expenditure leapt from 45 percent of GDP in 1989 to 52 percent four years later. Kohl's initial decision to finance unification by borrowing the money rather than imposing higher taxes caused a sharp increase in the government's budget deficit. Government debt reached DM 1.51 trillion in 1993. The cost of servicing the debt – DM100 billion a year – was now the second biggest item of public expenditure. All of this was a long way from the sound money policies for which post-war west Germany was famous. [32]

The destabilising consequences of unification certainly dispersed the euphoria which surrounded the opening of the Berlin Wall: the triumph of liberal capitalism did not, after all, mark the end of history. The East European revolutions helped to disrupt the very centre of West European capitalism. Nevertheless, unification was at most a catalyst, bringing to the surface underlying

contradictions. Indeed, its initial effect was to *stimulate* the west German economy. David Marsh points out:

With the exception of the years immediately before and after reunification, West German economic performance since the beginning of the 1970s has been significantly weaker than that of most other industrialised countries ... annual economic growth between 1971 and 1990 averaged 2.4 percent in West Germany, against 2.3 percent in Britain, 2.8 percent in France and the US and 4.4 percent for Japan. Average growth across the whole of the 24 nation OECD was 3.5 percent during this period. [33]

Unification brought with it, thanks to the huge government transfers to the east, a great surge in consumer spending which fuelled a short lived boom. Real GDP growth shot up to 3.8 percent in 1989, 4.5 percent in 1990, and 3.1 percent in 1991. West German firms were the chief beneficiaries of this boom, as they strained to meet soaring orders for their products. Discussing the recession which followed, Quentin Peel argued:

It is so sharp precisely because of the artificial boost to the economy which came from unification. Parts of German industry were working at extraordinarily high levels of capital utilisation (90 percent or more) in the post-unification boom to cope with domestic demand. [34]

Kohl's strategy of funding unification by borrowing meant that, at the same time as consumption in the former DDR was being financed by an inflow of resources into the east equivalent to 6.5 percent of West German GDP, living standards in the west were also rising: west German real disposable income rose by 6.3 percent in 1990. This policy may have helped Kohl win the federal elections in December 1990, but it stored up further problems for the future. In particular, the conditions of boom in the west allowed workers to win significant wage increases. By the summer of 1992 Martin Wolf of the **Financial Times** could complain:

The unification-induced expansion of the west German economy, combined with the large fiscal deficits, has created both inflationary pressure in the labour market – between 1990 and 1991 wage costs per employee rose by more than 6 percent – and rapid monetary expansion. [35]

As Wolf acknowledged, the Kohl government's policies during unification were in many ways analogous to Reaganomics – the policies of tax cuts and deregulation first attempted by the Republican administration in the US from 1981 onwards, and then copied by other right wing governments, for example the Tories in Britain particularly during the Lawson boom of 1987-8, and the Japanese government after the shortlived 1986 recession, which permitted brief, if heady, periods of expansion. Thus, in Chris Harman's words, the post-unification boom 'played very much the same role as the speculative booms of the late 1980s in the US and Britain – it postponed the moment of truth for a weakly based period of economic recovery, only to make the eventual collapse into recession even more severe.' [36]

In the German case the Bundesbank played a crucial role in driving the economy into recession. The bank had suffered a serious political defeat when, in May 1990, the Kohl government agreed terms for unification which involved the rapid economic integration of the two parts of Germany despite the bank's highly accurate warnings of the upheaval this would cause. Furthermore, the Maastricht treaty of December 1991 laid down a timetable for economic and monetary union which implied that by the end of the century the Bundesbank would find itself surrendering its power to a new European central bank in charge of a single currency that would replace the Deutsche Mark along with the other national currencies. Within days of the signature of the Maastricht treaty the Bundesbank lifted German interest rates to their highest levels since 1931. This served as a double signal – both that the bank was determined not to surrender control of Europe's strongest currency without a fight, and that it intended to slow down a Germany economy which seemed to be running out of control. [37]

The Bundesbank was pursuing its traditional policy of maintaining a strong Deutsche Mark, even at the price of domestic recession. But the mark's role as the centre around which the other currencies in the Exchange Rate Mechanism (ERM) of the European Monetary System fluctuated meant that by pushing up

German interest rates in 1991-2 the Bundesbank forced the rest of the EC to follow suit. In effect, the recession the bank helped to precipitate in Germany was thereby generalised throughout Europe. The enormous strains this produced led to a succession of foreign exchange crises, in particular ‘Black Wednesday’, 17 September 1992, when Britain and Italy were forced out of the ERM, and the upheaval the following August, as a result of which most European currencies were permitted far larger bands within which to fluctuate against the Deutsche Mark. From a stabilising influence Germany had become a disruptive factor, the means by which the recession which began in the US, Britain, and other ‘Anglo-Saxon’ countries was spread to continental Europe. [38]

The effects of high interest rates and a strong Deutsche Mark (which made German exports more expensive) were devastating. The car industry, for example, a key export industry, was hit especially hard. Surveying the grim state of the European car industry in mid-1993, the **Financial Times** reported:

The real horror story late last year emerged in Germany, however, where Volkswagen, the group that has led the west European market in terms of sales volumes for the past eight years, crashed deep into loss. After making a pre-tax profit of DM1.2 billion in the first nine months of last year, it plunged into a pre-tax loss of DM563 million in the final quarter and followed this with a DM1.2 billion loss in the final first three months of 1993 ... Car makers, most of all the Volkswagen group which controls about 28 percent of demand in Germany, were able to surf (thanks to reunification) on the rising wave of demand in Germany, where the car market surged from 2.8m in 1989 to 4.2m in 1991 and 3.9m last year. Now the German party, which all car makers shared in, is proving over. The hangover is proving unpleasant. [39]

The response of the German ruling class to the recession was very striking. Initially, rather like the Major government in Britain, it sought to play down the extent of the economic slowdown. Thus the Bundesbank was insisting as late as the autumn of 1992 that ‘there can be no talk of recessionary trends’, even though it was busy strengthening these trends. [40] A year later the tone was a very different one. ‘Almost all our problems are structural

problems of the old federal republic,' Kohl declared in September 1993. 'We would have to solve them even if German unification had not happened. We are not in a traditional recession.' [41] Rather, the country was facing a deep seated crisis of competitiveness which was threatening Germany as an investment site. Such was the theme of a report on 'safeguarding Germany's future as an industrial location' produced that same month by Kohl's economics minister, Günter Rexrodt.

The concern expressed by Kohl and Rexrodt undoubtedly reflected, at least to some degree, the reality of German capitalism's plight. A study published in 1993 by the international management consultants McKinsey showed that in key manufacturing industries German productivity lagged behind Japanese and, at best, matched American levels:

**TABLE 1: Manufacturing Productivity: Japan and Germany Compared to the US**

Value added per hour worked 1990 (Index: US=100)

	<b>Japan</b>	<b>Germany</b>
Car assembly	116	67
Motor parts	124	76
Metalworking	119	100
Steel	145	100
Computer hardware	95	89
Consumer electronics	115	72

[Source: **Financial Times**, 22 October 1993]

Plainly, Germany's relatively poor productivity performance compared to the US and Japan spelt danger in an era of increasingly intense international competition. But what were its

causes and how could it be remedied? The establishment's answer was simple: the social market model itself, and in particular the privileged position it allegedly accorded the organised working class were the source of the problem. The **Financial Times** summed up what rapidly became the received wisdom:

Labour costs – including the social contributions that have been growing especially rapidly in recent years – are already higher than in any other industrial country. In 1992, the average cost of manufacturing labour in west Germany was nearly DM42 per hour, of which DM20 constituted ancillary costs such as health and pension contributions. The comparable figures in France, Germany's main trading partner, were DM28 and DM13, and in Portugal, DM9 and DM4.

Moreover, Germany's system of industrial relations is among the most rigidly organised in the world, subject to a bewildering battery of government laws and centrally-negotiated collective agreements. Restrictions on working time, for example, meant that the average German worked 1,400 hours in 1992 compared with 1,900 hours in the US and 2,080 in Japan.

It is a similar story with curbs on machinery running times: an average of only 53 hours a week in west Germany, compared with 74 in the Netherlands and 77 in Belgium. [\[42\]](#)

The implication was plain enough. 'Rhine capitalism', with its emphasis on social bargaining, required radical restructuring. As the Rexrodt report put it, 'social peace based on productive consensus between industry and labour is an important factor in attracting investment. But when more is distributed than is earned, over time more than social peace will be endangered.' Kohl himself made the same point more crudely in an extraordinary speech to the Bundestag, the lower house of the German parliament, in April 1993:

Just a few kilometres east of Berlin and Munich, serious new competitors are growing up, with great cost advantages and increasingly impressive products. Yet we allow ourselves the luxury of being a country with ever younger pensioners and ever older students ... With ever shorter working hours, rising wage costs, and



ever longer holidays, our competitiveness is in danger. The simple fact is that a successful industrial nation cannot allow itself to be organised like a collective leisure park. [43]

The bottom line was that German workers were now expected not only to pay the huge costs of unification – which Kohl had promised during the 1990 election would be painless – but submit to a systematic assault on the accumulated gains they had made under the Federal Republic since the late 1940s. This implied not merely, as we shall see below, a shift towards confrontation in industrial bargaining, but an attack on the welfare state. Thus the Rexrodt report called for a reduction in state expenditure and, in particular, the capping and then cutting of spending on health pensions, and unemployment. Social market capitalism was, it seemed, to be replaced by, or at least to be combined with, the more full blooded *laissez faire* version which Reagan and Thatcher had sought to rehabilitate in the 1980s.

This programme did not spring from the blue. The problem of declining German competitiveness and high social overheads had been one of the main themes of conservative political discourse ever since the shift to the right in west Germany after the onset of the first great postwar recession in 1974-5 which had laid the basis for the CDU/CSU to take office under Kohl's leadership in 1982. Moreover, the right wing calls for economic and social changes had been accompanied by the more strident assertion of German nationalism. One of the main symptoms of Germany's lurch into crisis in the early 1990s was the rapid growth of fascist organisations, measured both by their success in winning votes in a series of municipal and state elections and by the growing number of racist attacks. Nazi parties like the *Republikaner* and the *Deutsche Volkspartei* (DVU) were able to exploit the discontent and disorientation caused by unification and recession in order significantly to widen their popular support.

Yet the fascists were able to gain legitimacy from the greater stress laid on German nationalism by the Kohl government. Once again this began in the 1980s. One of the most significant intellectual controversies of that decade was the *Historikerstreit*,

the debate among west German historians provoked by the left wing philosopher Jürgen Habermas's attack on what he saw as the attempt by several of them to rehabilitate Nazism. Undoubtedly the most scandalous of the interpretations to which Habermas reacted was Ernst Nolte's claim that the Nazi extermination of the Jews was a copy of, and a response to, the Stalinist terror. But Habermas also noted the call by Michael Stürmer, an adviser to Kohl, for 'a renewal of historical consciousness, a return to cultural traditions', that offered 'a promise of normalcy' which would allow Germans to take a proper pride in their national past. Stürmer and another conservative historian, Andreas Hillgruber, also revived another old right wing theme – Germany as the *Land der Mitte*, the country in the centre of Europe, midway between east and west, and therefore with a leading role to play throughout the continent. [44]

Unification gave this attempt to revive traditional German nationalism a tremendous fillip. Increasingly German conservatives felt they no longer had to apologise for the Third Reich: Germany had become a 'normal' nation, and could begin therefore to reassert its traditional Great Power interests. These sentiments were, for example, expressed by Steffen Heitmann, whom Kohl tried unsuccessfully to run for the federal presidency in 1993. In a furious polemic, which laid blame for the fascist outrages at Rostock and Mölln firmly at Kohl's door, Habermas observed:

A sense of relief lies behind the ambiguous formula of 'bidding farewell to the old Federal Republic'. This 'farewell' is charged with remarkably irrational connotations. The statement 'Finally we are again a normal national state,' with its note of triumph and audible relief, suggests to us a perspective within which the 'success story' of the Federal Republic, recently still celebrated, now appears as the real special path of a defeated and divided nation. We have to get out of our niche existence, we no longer need strain ourselves to be model pupils in morality, we cannot squeeze round the harsh realities, we should no longer be shy about assuming a leading role in Europe, and so on; these sentiments are now widely shared. [45]

The West German liberal democracy of 1949–90, integrated into the NATO alliance, its founding justification being the break it allegedly represented with the Nazi past, was now seen by many conservatives as an interlude after which the proper business of German nationalism could be resumed. Habermas cites one of them, Arnulf Baring, who declared, ‘We still live, or we have since 1990 again been living, in the Germany of Bismarck.’ The collapse of the Soviet empire had created a situation

which we twice tried to achieve through violence at the beginning of the century: the establishment of relative German supremacy in Europe. Before 1945 we attempted to impose our supremacy on Europe – very unskillfully, I admit, and as it turned out with catastrophic results. Now we are in danger of making the opposite mistake, of declining the greater responsibility with which our situation presents us. [46]

The Kohl government increasingly displayed a willingness to assume this ‘greater responsibility’ by asserting Germany’s claim to be a world power. The Gulf War stimulated the government to launch a campaign demanding that the constitution be amended to allow German troops to be employed abroad for the first time since 1945. Greater German assertiveness within the EC was reflected, for example, in Bonn’s success in bullying its European partners into recognising Croatia and Slovenia in December 1991, a move that played an important role in precipitating the Bosnian war.

More important still was Kohl’s readiness to play the race card to win votes and defuse class tensions. Already in the 1987 federal elections the CDU/CSU played up what they called ‘the danger of Germany being flooded by asylum seekers’. Kohl dropped the issue after the election thereby allowing the Nazi parties to pick up support in 1988–9 by denouncing the government’s ‘betrayal’ of its racist supporters. The hopes raised by the East German revolution of November 1989 temporarily marginalised the extreme right. During the lead-up to unification in 1989–90 Kohl avoided nationalist rhetoric so as not to arouse fears of revived German expansionism in neighbouring states.

It was the onset of economic crisis, first in the east and then spreading to the west, which led the Kohl government to stir up racism by seizing again on the issue of asylum seekers. Volkhart Mosler of the *Sozialistische Arbeitergruppe* writes:

In the first months of 1991 there was a huge wave of mass protests in east Germany against layoffs and closures. Never had a newly elected government broken its main election promises ('blossoming regions in the east, no tax rises in the west') so radically and so quickly as the Kohl government. In July/August 1991 therefore the CDU/CSU restarted a vicious campaign against 'asylum seekers' which not only culminated in the racist pogroms of Hoyerswerda but also in new electoral victories of the DVU and *Republikaner* in September 1991 (Schleswig-Holstein, Bremen).

The **Wirtschaftswoche** (the German equivalent of the **Economist**) wrote on 28 August 1991, analysing the new turn of the Kohl government towards racism: 'It couldn't go on like this any more: the whole world was talking about nothing else but inflation, recession and higher taxes ... The voters turned towards the opposition in masses. Something had to happen. And it happened. Interior Minister Schäuble pushed a new theme onto the public stage: the question of asylum seekers.' [47]

The aim of the operation was obvious enough – to displace working class discontent created by government policies onto foreigners. It was thus the racist climate created by the ruling coalition which allowed the Nazi organisations to escape from the doldrums in which they had found themselves at the time of unification and to go onto the offensive. Having thus built up the anti-foreigner hysteria exploited by the fascists, the government did nothing to calm it down once it led to outright pogroms such as that at Rostock. Kohl refused to engage in what his spokesperson called 'sympathy tourism' by attending the funerals of the Turkish women murdered at Mölln and Solingen; after the latter outrage he seemed more interested in condemning the angry Turkish reaction than in hunting down the fascist killers. As the Nazi agitation against foreigners reached high pitch in 1992–3, the governing coalition forced through a constitutional amendment

curtailing the right to seek asylum in Germany – a measure which only secured the necessary parliamentary majorities thanks to the support of the SPD opposition. As Habermas observed, this policy could only ‘send into the dullest minds the message that the problem of xenophobia is a problem of foreigners’, thus serving to legitimise and reinforce the extreme right’s racism. [48]

The fascist attacks provoked a massive reaction. Huge anti-racist demonstrations – called ‘light-chains’ because many of the marchers carried candles – filled Germany’s cities in the autumn and early winter of 1992. Under pressure from the left, the CDU/CSU also feared that the Nazis would begin to eat into their electoral base. The government therefore toned down its racist propaganda. But it continued to beat the nationalist drum. At the CDU conference in September 1993 Wolfgang Schäuble, tipped by many as Kohl’s heir, declared: ‘The Germans must develop their sentiment for national togetherness again. To serve the state is a necessity if one wants to master the future. Our fatherland could need much more patriotism.’

At the same time as both the constitutional and the fascist right were reaffirming the unity of the German nation against foreigners, the employers and the state were pursuing policies calculated to polarise German society along class lines. Breaking his election promises, Kohl now began to make the working class pay the soaring costs of unification. The government raised an extra DM 116 billion in 1991–3, mainly in the form of higher indirect taxes and social security payments which hit low income groups hardest.

As the German economy began to slide into recession in 1991–2, the capitalist class sought to force down the rate of wage increases. This led to a major confrontation with the main public sector union, the ÖTV, which called the first all out strike by public employees for 18 years, at the end of April 1992. **European Industrial Relations Review** commented, ‘One of the most disruptive in post-war Germany, the strike, involving hundreds of thousands of workers, was bringing chaos to the

country's roads, railways, airports, postal and refuse-collection services', when the ÖTV leadership called it off on 7 May. [49]

The union rank and file actually rejected the employers' final offer of 5.4 percent, but, since the no vote was, at 55.9 percent, below the 75 percent majority required by the union rules to continue industrial action, the deal struck by the ÖTV leaders and the employers stuck. This settlement, plus the decision by the most powerful German union, IG Metall, representing four million engineering workers, to accept a similar offer spread over 21 months from *Gesammetall*, the metal industry employers' federation, seemed to signify that, as the **Financial Times** put it, 'Germany's social contract is intact'. [50]

The reality was considerably more complex. Collective bargaining in Germany covers 90 percent of the workforce. Legally enforceable agreements setting minimum wage rates, bonuses, and holiday pay are negotiated for each industrial sector by employers' associations and a trade union representing all the workers in the sector. Company level supplements may also be negotiated by managers and elected works councils. The system isn't designed completely to eliminate industrial conflicts, but when they take place they tend to take the form of large set piece confrontations in which the trade union bureaucracy keeps tight control over the rank and file. Before the 1990s the most important such conflict was IG Metall's seven week strike in 1984 to win a cut in the working week: the eventual settlement reduced the working week to 35 hours for IG Metall members by 1990, but at the price of giving the employers greater flexibility in work time scheduling. [51]

The collective bargaining system came under increasing attack from the right. Thomas Mayer, senior economist at Goldman, Sachs's Frankfurt branch, argued that by the 1980s, beneath:

the appearance of peaceful labour relations ... there was collusion among special interest groups at considerable cost to the economy at large. As long as companies benefited from a long economic upswing and accumulating profits during the 1980s, German

managers, who had been under no strong pressure to distribute profits to shareholders agreed more readily to union demands. [52]

The changed economic environment of the early 1990s meant that management no longer had the same room for manoeuvre. At the same time the *Mittelstand* – small and medium sized capital, which accounts for half German GDP and two thirds of employment – began to demand changes in the existing system of industrial relations. They pointed out that big companies could use shift work to cope with reductions in working hours, while small firms, usually reliant on single shifts, could not; equally, the big pay increases agreed in the late 1980s and early 1990s were much easier for large enterprises to absorb. Associations representing the *Mittelstand* called for a new direction in collective bargaining, which would, for example, concentrate negotiations at the plant rather than the industry wide level, and give greater scope for flexible working. [53]

The movement away from social peace on the industrial relations front was, in fact, a contradictory process. There were, for example, developments which suggested that the old consensus still basically held. For example, in March 1993 the federal and state governments and the SPD agreed a ‘solidarity pact’ intended to spread the costs of unification. A ‘solidarity surcharge’ of 7.5 percent would be added on corporation and income tax from the beginning of 1995; DM3 billion worth of savings would be made in social welfare spending. Although negotiated by the politicians, the pact was expected to apply as well to the unions, who would restrain their wage demands, and employers, who would step up investment in eastern Germany.

Yet that same spring a major confrontation developed in the metal industry. In February 1993 the employers unilaterally scrapped the agreement under which wages in the east were to be brought in – a key element in the extension, negotiated by the unions at the time of unification, of the Federal Republic’s industrial relations framework to the former DDR. IG Metall reacted by treating *Gesammetall*’s move as an attack on the entire system of collective bargaining. It mounted a two week strike in

the east, and prepared its members for nationwide action. The employers backed down: though a compromise was agreed, deferring east-west pay parity till 1996, the outcome was generally seen as a victory for IG Metall. **European Industrial Relations Review** commented:

There is no doubt that the accords have boosted the confidence of the metalworking union, since it has proved its ability to conduct the first legal strike in the region for over 50 years, despite an unfavourable context of economic collapse in the east and the deepening recession in the west. [54]

*Gesammetall* made clear it wanted to keep up the pressure by announcing at the end of September its intention unilaterally to cancel the existing agreement for the whole metal industry. According to **European Industrial Relations Review**, ‘this is the first time that west German employers have resorted to such a measure since the war ... it expresses the employers’ desire to take the collective bargaining “offensive”.’ [55] The decision also reflected the *Gesammetall* leadership’s efforts to accommodate the demands of the *Mittelstand*, many of whom were threatening to leave the federation. The *Financial Times* reported, ‘Union officials believe that the powerful small and medium-sized enterprises that dominate the *Gesammetall* membership have seized the initiative from the heavyweights of German industry such as Siemens, Robert Bosch and Daimler-Benz.’ [56]

*Gesammetall*’s challenge to IG Metall contributed to an atmosphere of growing social confrontation. At the end of September 1993, 60,000 miners demonstrated against pit closures. They were followed by tens of thousands of Ruhr steel workers protesting against cuts in social payments, and in late October by a march on Bonn by over 100,000 building workers threatened by government plans to scrap the ‘bad weather money’ paid to them as an alternative to unemployment benefit during the winter. At the beginning of February 1.8 million engineering workers took part in ‘warning strikes’ throughout northern Germany as part of IG Metall’s dispute with the employers, while students mounted



protest actions against the federal government's decision to freeze their grants till 1996.

In the event it was IG Metall that backed down. The union leadership emitted a series of signals indicating their willingness to settle. 'We do not want a big social conflict,' IG Metall president Klaus Zwickell repeatedly emphasised. When talks broke down in February 1994, the union called a strike ballot in Lower Saxony, a state with only 90,000 engineering workers (out of a metal industry total of 3.6 million) chiefly employed in plants whose closure by industrial action would not have a big impact in the rest of the economy. Union officials justified this low key action on the grounds that the Kohl government had recently changed the law so that workers laid off, or put on to short time, because of industrial action would no longer receive unemployment benefit. But, as an employers' spokesman commented, 'by avoiding total confrontation, and choosing a place where the pressure is not real, it suggests the action is more of a ritual than reality.' [57]

In fact, the IG Metall leadership had already effectively dropped its claim for a 6 percent pay increase. Its aim had become instead to seek an agreed solution to the unemployment crisis by cutting working hours as a two year emergency measure in exchange for job security. This was a formula pioneered at Volkswagen the previous October, when management offered its 108,000 workforce the choice between a four day week and a 20 percent wage cut or the loss of 30,000 jobs. The 'VW Solution' seemed like a godsend to union leaders desperate to save jobs without confrontation. Most employers, however, were much more sceptical. Hans-Peter Stihl, president of the German chambers of industry and commerce, called the four day week 'fundamentally a step in the wrong direction ... In the future we must work more, not less, if we want to remain competitive.' [58] The **Financial Times** explained:

As far as *Gesammetall* is concerned, such a solution can only suit a handful of employers, who are facing a disastrous, but temporary, slump in demand for its products. It would reduce their absolute

wage bill, but actually raise unit wage costs, already 40 percent higher than comparable costs in France or the US. [59]

*Gesamtmetall* therefore demanded a pay freeze and greater flexibility in the organisation of working time – including the right of plants in certain circumstances to go back to a 40 hour week. The final deal, struck at the beginning of March, gave neither side what it wanted. The overall pay bill was effectively frozen, but IG Metall won acceptance that shorter working hours, and lower pay, without redundancies, could be an option for crisis hit plants.

IG Metall's willingness to settle on these fairly modest terms reflected more than concern about the situation within the metal industry. Right across the economy the union leaders sought to steer their members away from confrontation, concluding a series of modest wage settlements. The trade union bureaucracy was placing its hopes in an SPD victory in the federal elections in October 1994. Meanwhile, Rudolf Scharping, the SPD's candidate to replace Kohl as chancellor, allowed the government to win a series of key parliamentary votes on legislation imposing welfare cuts. (The Bundesrat, the upper house of the federal parliament, was controlled by the SPD, giving the opposition an effective veto on important government measures.) Scharping's cultivation of a moderate image helped to dissipate the atmosphere of social discontent that had built up in the autumn of 1993, and allowed Kohl to recapture the initiative, and rebuild his position in the opinion polls.

Nevertheless, the metal industry deal fell far short of the employers' objectives. The **Financial Times** observed:

It does not amount to the sort of flexibility many employers were seeking to shift the real focus of wage deals from the national to the plant level. Indeed, it amounts in effect to a reprieve for national collective bargaining at a moment when the system was under enormous pressure. [60]

Larger employers had, in any case, room for manoeuvre within the system. Traditionally they pay anything up to 30 percent above the minima, the wage rates fixed by industry wide collective agreements. The difference between total pay and the minimum

therefore gives these firms scope to reduce earnings without breaching the national agreement. For example, Income Data Services point out, 'the mandatory increase in minimum rates might be applied to that part of pay accounted for by agreed minima, with the company element squeezed and total pay frozen'. Robert Bosch used this tactic in 1992-3, at the same time cutting canteen subsidies and scrapping interest free mortgages and free spa cures for its workers. There are signs that similar methods are being used by a number of employers: 'Evidence for "negative wage drift" can be found in Bundesbank pay data. Whilst agreed minima rose at annual average of 3.6 percent in the first nine months of 1993, earnings were up just 2.7 percent.' [61]

Such techniques were part of a much more general process of restructuring by the giants of German industry designed to enhance their international competitiveness. For example, in September 1993 Daimler-Benz announced what the **Financial Times** described as 'a corporate revolution': a total of 60,000 job cuts in 1992-4 as part of a programme of cost savings of DM8 billion by 1997; the expansion of manufacturing in the US, Mexico, and east and south east Asia; a move by Mercedes Benz beyond its traditional range of luxury cars into the production of small cars and light trucks; and Daimler's decision, by applying to become the first German company fully listed on the New York stock exchange, to raise capital on international equity markets rather than rely on long term loans from German banks. [62]

Reorganisations as drastic as this are an indication of the intense pressures on even the strongest sections of German capital. But if the cold blast of international competition was being felt even by giants like Daimler-Benz, how much more severe was its effect on the *Mittelstand*? Medium sized companies in engineering were hit hard by the rise in the Deutsche Mark in the early 1990s, which made their products more expensive on world markets. Some 50 percent of employers pay no more than the minima laid down in collective agreements. They lack the scope for squeezing pay without scrapping the agreements enjoyed by the big firms.

It is therefore hard to believe that the deal struck by IG Metall and *Gesamtmittel* in March 1994 amounts to more than a postponement of confrontation between the most powerful forces of organised labour and big business in Europe. The structures of class collaboration which evolved to the benefit of employers and union leaders alike during the long boom of the 1950s and 1960s are now coming into conflict with competitive pressures operating on a global scale. These pressures – demanding a much greater internationalisation of productive investment, large scale cost cutting and job shedding, and the adoption of more flexible working methods – are being felt in every major capitalist economy. The very success of west German capitalism – especially at the height of the post-war boom – encouraged the elaboration of structures which involved both a high degree of *national* integration of capital (for example, between banks and industrial enterprises) and the incorporation of the organised working class. But what was a source of strength during the boom has become an obstacle to the necessary restructuring of German capitalism as it finds itself falling behind its major rivals.

In these circumstances the system of corporate bargaining between labour and capital is increasingly likely to be a liability. Defenders of the German social market model often argue that it provides a means of negotiating the terms on which economic and social change can take place, in a gradual, incremental way, rather than the kind of catastrophic and destructive upheavals which British capitalism, for example, experienced under the Thatcher government. [63] But this is only likely to remain true so long as the conflict of interest between the parties does not become acute. Continuous economic growth and rising living standards eased the tensions between labour and capital in post-war Germany, allowing the trade union bureaucracy successfully to play its role as the negotiator of social compromise, and to retain control of its members.

The transition to a situation where the conflicts between business and unions are much more acute, however, means that the collective bargaining system can serve to highlight and politicise

these conflicts. Even under more stable conditions than the present there was a tendency for this to happen. The historian Charles S Maier observes, 'In labour disputes ... highly structured bargaining procedures keep the conflicting parties at the negotiating table and require several formal votes before workers can resort to a strike. But if mediation fails, the dispute arouses far greater political uneasiness than it would in other Western nations. A real test of social cohesion seems to be under way to adversaries and observers alike.' [64]

The ritualised set piece confrontations over the renegotiation of collective agreements may thus provide the framework in which real class battles unfold on a national scale. Any real attempt by the employers to dismantle the system would itself become the occasion of a political confrontation between labour and capital on a scale not seen since the days of the Weimar republic. In such circumstances the ability of the reformist bureaucracy to contain class conflict and control the rank and file would itself come under severe pressure. German capitalism faces a stormy future.

## Variations

The basic causes of the German crisis were common to west European capitalism in its entirety. The recession of the early 1990s led to a renewed debate over 'Eurosclerosis' and the declining competitiveness of the EU countries. The **Financial Times**, for example, ran a series of articles in the spring of 1994 devoted to the theme, 'Can Europe compete?' The diagnosis was summed up in Martin Wolf's opening piece: 'The European Union needs deregulation and radical public sector reform to avoid becoming an economic backwater'. The bill of indictment was a formidable one. Europe's labour costs were rising even though productivity per hour in US manufacturing is a third higher than in the most competitive continental economies. Between 1980 and 1992 average real wages in the US fell by 8 percent: during the same period they rose by 36 percent in Britain, by 22 percent in

Germany, by 14 percent in Italy, and by 13 percent in France. No wonder, then, that between 1970 and 1991 manufacturing employment in Europe fell by 20 percent, while it barely changed in the US and actually rose by 2 percent in Japan. Meanwhile the EU lagged behind its main competitors in the pace of technical innovation. In 1991 the EU twelve devoted 1.96 percent of GDP to research and development, compared to 2.74 percent in the US, and 2.87 percent in Japan. A stagnating Europe would, its critics argued, face a particularly intense threat from the rapidly expanding Asian economies. According to a projection by the accountants Coopers and Lybrand, by 2010 Western Europe's share of world GDP could fall to 17 percent (from 22 percent in 1990), and that of the US to 18 percent (from 23 percent), while the Asian developing countries (including China and India) could see their share soar from 18 to 28 percent. [65]

Projections of this nature should be taken with a very large pinch of salt, resting as they do on highly questionable assumptions about growth rates and on the flawed techniques of national income accounting. [66] Moreover, the critique of 'Eurosclerosis' developed in quarters such as the **Financial Times** very much reflected a neo-liberal political agenda which sought to make the policies pursued in the 'Anglo-Saxon' economies in the 1980s – cuts in direct taxation and welfare spending, deregulation, and privatisation – into a model to be followed in all countries, despite the disastrous consequences of these policies, notably in Britain and the Stalinist successor states. Nevertheless, this kind of analysis increasingly sets the terms of policy debate in the EU. Thus in December 1993 Jacques Delors, president of the European Commission, and – according to British Tories – the high priest of state intervention and regulation, issued a White Paper on *Growth, Competitiveness, and Employment*. It contained two main proposals. One – a £300 billion programme aimed at developing trans-European transport, energy, and telecommunications networks – involved the use of state expenditure to enhance European competitiveness. The other, however – steps towards

labour market deregulation – fitted squarely into the neo-liberal project.

The very process of European political and economic integration laid down by the Maastricht treaty was in any case pushing the EU countries in the direction of the kind of policies advocated by the free market right. The terms of the treaty were largely the outcome of a struggle between France and Italy on the one hand, and Germany on the other. The Kohl government was chiefly interested in political union as a means of overcoming the fears of revived German power in Europe. The French and Italian governments, by contrast, wanted economic and monetary union (EMU) as a way of containing and harnessing this power. They therefore set a trap for Kohl by making the terms for EMU so strict as to force the high inflation economies of southern Europe to adopt austerity policies – a package the Germans found impossible to refuse. Countries could only take part in EMU – and above all the move to a single currency – if they met criteria for convergence that included reducing budget deficits to 3 percent of GDP and public sector debt to 60 percent of GDP, and matching the inflation and interest rates of the strongest economies. The effect was to enforce on the entire EU economic policies requiring substantial cuts in public spending and ruthless shakeouts in uncompetitive industries. [67]

The whole project of EMU was no sooner formally agreed than it ran aground on the rocks of economic recession. The Bundesbank's high interest rate policy pushed the rest of Europe into recession, and through the ERM caused the currency upheavals of September 1992 and August 1993. The resolution of the latter crisis – allowing most European currencies to fluctuate against each other within much wider bands – seemed to mark the death knell of both the ERM and EMU. **Bild**, the German equivalent of the **Sun**, which had been campaigning against the threat represented by the Maastricht treaty to the Deutsche Mark ever since December 1991, chortled: 'Euro-money is stone dead-hurrah, the Deutsche Mark is still there!' But, after the initial shock, the old relationships between the main currencies –

especially the Deutsche Mark and the franc – reasserted themselves. In the aftermath of the crisis Ian Davidson of the **Financial Times** noted the ‘surprising possibility ... that the pattern of European exchange-rates, at least for a small group of core countries, may strongly resemble the pre-crisis period. [68]

This outcome reflected the political priority given to the strong franc tied to the Deutsche Mark by the French ruling class. The Socialist Party government of Pierre Bérégovoy and its right wing successor under Edouard Balladur stuck by the policy even when the high interest rates it required and devaluations by less determined competitors like Italy and Britain drove the French economy into recession. David Marsh explained:

The franc fort represents the mechanism with which France, under the Maastricht treaty, can eventually achieve economic and monetary union. EMU would represent the emasculation of German monetary power – the accommodation of a larger Germany in a united Europe through the replacement of the D-Mark by a single European currency. [69]

The German government for its part sees EMU as a necessary price to pay in order to achieve a more politically unified Europe – which would, it believes, inevitably follow Germany’s leadership. As long as France and Germany – whose close cooperation over the past generation has provided West European capitalism with its axis – continue to back it, the Maastricht programme is likely to continue on course, even if its timetable (which provides the introduction of a single currency by 1999 at the latest) cannot be strictly adhered to. This will place continuous pressure on the EU states to meet the convergence criteria, which, in turn, will mean steady attacks on public spending and the systems of social protection it sustains.

There are thus long term factors – the crisis of competitiveness and the process of European integration – which mean that, even if the forecasts predicting that 1994 will be a year of economic recovery in the EU prove to be correct, Europe is likely to be a social and political battlefield throughout the 1990s. Governments will continue to seek partially to dismantle the welfare state, and



to undermine the strength of the organised working class, provoking serious confrontations.

Precisely how social conflict develops across the EU will depend on factors specific to individual countries – the relative strength of the economy, the political set up, the balance of forces between big business and organised labour, and so on. In Italy, for example, the 1994 budget hoped to hold the government deficit to 8.7 percent of GDP, nearly three times the Maastricht target. [70] Figures such as these indicate that Berlusconi's promises of easy prosperity – for example, the creation of a million jobs – are likely to give way to fierce class battles.

One important variable is, of course, the strength of trade union organisation. A critical constraint on the German ruling class is the sheer social weight, the density and organisational depth, of the trade union movement. In 1991 the German TUC had 12 million members. [71] Trade union strength is, however, double edged. It serves as an obstacle to the bosses attaining their objectives. At the same time, it is likely to give the union bureaucracy the organisational means to contain industrial conflict within controllable limits. Thus, as we have seen, the IG Metall leadership were able to prevent the 1993-4 pay round from developing into a major confrontation.

France provides an interesting contrasting case. The Balladur government came to office after the right's landslide in the March 1993 legislative elections amid a fanfare of praise. The **Financial Times** even proclaimed Balladur 'Man of the Year'. [72] Yet his first year in office was marked by a series of humiliating retreats. In October 1993 the Air France strike forced the government to abandon plans to cut 4,000 jobs in preparation for the state owned group's privatisation. The following February hundreds of thousands of protesters marched through Paris to celebrate the government's decision to drop its highly unpopular education 'reforms'. And in March Balladur marked the first anniversary of his appointment as prime minister by withdrawing a new law allowing apprentices to be paid less than the national minimum wage in the face of angry student demonstrations. The

disappointed **Financial Times** complained that Balladur was developing a ‘reputation for caving in to pressure’. [73] **Le Monde** observed in the aftermath of the minimum wage crisis, ‘Public life is dominated by the prospect of a government forced to mark time because of the public’s sullen mood, and a once-lauded prime minister tumbling swiftly in the polls.’ [74]

Yet it was not a powerful trade union movement which halted Balladur in his tracks. Discussing the outburst of industrial conflict in Europe during the winter of 1993, David Goodhart of the **Financial Times** pointed out:

Weak unions are no guarantee of industrial harmony. France, the centre of the most eye-catching recent disruption, has the lowest rate of unionisation in the Organisation for Economic Co-operation and Development ... Unionisation is denser in the French public sector than in the private sector, but the loose hold that union leaders have over the rank and file, even in the public sector, prevented an early conclusion of the air dispute at Air France [75]

Viewing Balladur’s plight unsympathetically from the vantage point of the Elysée palace, President François Mitterrand warned that growing inequalities could produce social upheaval. ‘Beware of fundamental revolts when reason can do nothing,’ he declared. [76] Mitterrand had experienced one such ‘fundamental revolt’ in May–June 1968. And he remembered the difficulty which ‘reason’, in the shape of the reformist leaders of the Communist and Socialist Parties, had faced then. The relative weakness of working class organisation in France meant that discontent found expression in explosive, almost uncontrollable struggles.

Reflecting on the experience of 1968 in its immediate aftermath, Tony Cliff wrote:

For decades Marxists used to infer the state of mass consciousness from a few institutional barometers – membership of organisations, readership of papers, etc. The deep alienation of workers from traditional organisations eroded all such barometers. This is why there was no way of detecting the imminence of the upheaval in May 1968. And also, more important, it explains the extreme, explosive nature of the events. If the workers in France had been accustomed

to participate in the branch life of the trade unions or the Communist Party, these would have acted as a ballast, preventing the rapid uncontrolled spread of the strike movement. The concept of apathy or privatisation is not a static concept. At a certain stage of development – when the path to individual reforms is being narrowed, or closed – apathy can be transformed into its opposite, swift mass action. However, this new turn comes as an outgrowth of the previous stage; the epilogue and the prologue combine. Workers who have lost their loyalty to the traditional organisations, which have shown themselves to be paralysed over the years, are forced into extreme, explosive struggles on their own. [77]

Short of explosions on the scale of 1968, the weakness of the trade union bureaucracy could help create problems for the ruling class. Goodhart noted, ‘At the local level, the vacuum left by weak unions is being filled by ad hoc, and often aggressive “co-ordinations” – growing fast in Italy and France.’ [78] Thus in Italy COBAS, a network of rank and file activists, played an important role, alongside supporters of *Rifondazione*, the left wing breakaway from the PDS (the ‘reformed’ Communist Party), in mounting resistance to the agreement in July 1992 by the leaders of the three main union federations to the abolition of the *scala mobile* (sliding scale) linking pay increases to the rate of inflation, and the adoption the same September by the Amato government of an austerity package designed, in line with the Maastricht treaty, to reduce the budget deficit. The trade union opposition were able to bring 100,000 onto the streets of Rome in September 1992, and 300,000 the following February.

Comparisons with 1968 should, however, serve to place the industrial struggles of the early 1990s in perspective. Measured by strike days, these conflicts did not yet mark a complete break with the patterns of the 1980s, when major battles were comparatively rare (see Table 2) – with the important exception of Greece, where the austerity policies pursued first by the Papandreou and then by the Mitsotakis governments provoked the biggest industrial confrontations Western Europe had seen since the 1970s. The European workers’ movement is still in the process of recovering from the defeats key sections suffered after the upturn at the end

of the 1960s receded – for example, in Italy the mass sackings at Fiat in October 1980, in Britain the Great Miners’ Strike of 1984-5.

Nothing so strongly indicated the fragility of this recovery than the decision by Air France workers in April 1994 to accept a plan involving measures – including 5,000 job cuts and a wage freeze – closely resembling the package they had defeated a few months earlier. Management blackmail and the misleadership of union officials had worn down the workers’ morale.

The French revolutionary paper **Socialisme Internationale** commented:

We are in a period of transition. After more than 15 years of setbacks, 1993 was the first year which saw a revival of struggles, an increase in the number of strike days compared to the previous year. But that has not meant only victories. Alongside government retreats ... the attacks have continued, struggles have failed ... Anger is growing but the years of passivity and demoralisation still have their effect. The compromising tactics of the union leaderships haven’t allowed workers to recover confidence in the possibility of winning.

Nothing comparable to the struggles of the last upturn has yet to be seen in any major European country. The significance of the struggles of the early 1990s lies rather in what they portend for the future. The crisis of the European ruling classes is driving them towards policies likely to provoke social explosions which can be compared to May 1968.

**TABLE 2: Labour Disputes in Western Europe, 1983–92**  
**Working days lost per 1,000 employees in all industries and services**

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Belgium	..	..	40	..	..	70	40	30	20	40
Denmark	40	60	1060	40	60	40	20	40	30	30
France	80	80	50	60	50	70	50	40	40	30

Germany (W)	—	250	—	—	—	—	—	10	10	60
Greece	320	320	620	710	9940	3550	4950	12040	2910	..
Ireland	380	470	520	380	320	180	60	270	100	220
Italy	980	610	270	390	320	230	300	340	200	..
Netherlands	30	10	20	10	10	—	—	40	20	10
Portugal	230	100	100	140	40	70	130	50	40	60
Spain	580	870	440	320	640	1420	420	280	490	670
UK	180	1280	300	90	160	170	180	80	30	200

.. Not available

— Nil or fewer than five days lost per thousand

[Source: **Employment Gazette**, December 1993]

The probability of major struggles in Western Europe over the next few years does not imply a scenario that will automatically favour the left. The decline of traditional political and trade union organisations described by Cliff creates a vacuum in West European society. Out of this vacuum can develop mass strikes which shift the balance of forces drastically to the advantage of the working class. But it is from the very same vacuum, and the atmosphere of apathy and cynicism verging on despair which it encourages, the growth in support for the fascists has also come.

What is so striking about developments in Europe over the past few years is their speed and their volatility. France over the past decade has seen *both* growing workers' resistance to the austerity policies of left and right governments alike *and* the rise of Le Pen's National Front as a major electoral force. Italy in a much smaller time span, a mere two years, has experienced, as a result of the collapse of the ruling parties, *both* mass strikes and demonstrations mounted by the forces of the trade union and parliamentary left, *and* the election of a government with five

fascist ministers. The picture in Germany in the early 1990s has been the same – *both* working class militancy *and* Nazi outrages.

Politically, therefore, the partial crack up of the West European order in the early 1990s is ambiguous. It has begun to liberate forces – in the shape of the renewed workers’ resistance to capitalist attacks – which could unleash another great upturn in the European class struggle. But it has also given an opening to elements of barbarous reaction that had been confined to the political margins since 1945. As yet there is no clear cut direction to events that would mark a decisive shift either to the right or to the left. But the dynamic evolution of the crisis since 1989 gives no reason for thinking that the situation will remain so open. What, then, are the prospects for the future?

### **A whiff of Weimar?**

There is a whiff of Weimar in the air of Europe today. The most obvious reason for this feeling is the rapid growth of the fascist right across the continent. But there are more deep seated factors involved as well. We have seen how the sudden onset of crisis in Germany has encouraged a wholesale questioning of the social market model of regulated capitalism by the ruling class. There is a precedent for this state of affairs. When the Weimar Republic was established after the German Revolution of November 1918, big capital was forced to concede, in order to ensure the cooperation of the SPD and trade union leaders, what Detlev Peukert calls ‘all sorts of innovative features ... “concerted action” by trade unions and employers’ associations, co-determination or participatory decision making in the workplace, rationalised methods of production and improved welfare benefits for employees’, which ‘were re-established and extended under the Federal Republic and have been regarded as vital ingredients of its economic stability and growth.’ [79]

Even during Weimar's period of relative stability during the mid-1920s big business chafed against the restrictions imposed by the 'trade union state' it had – temporarily, in its view – been forced to concede. The employers were already taking to the offensive against the organised working class before the onset of economic slump in the summer of 1929. But, as Peukert puts it, 'with the arrival of the world recession, the policy of piecemeal restrictions became a strategy of deliberate retreat: a policy to dismantle the welfare state.' This was the essential thrust of the programme of austerity measures imposed by decree in defiance of the Reichstag by the right wing government of Heinrich Brüning in the summer of 1930. To quote Peukert again:

On the social front, the crisis enabled the government finally to start unravelling the achievements of 1918. The weakening of the trade unions, the abolition of the hitherto accepted system of collective bargaining, the marginalising of the SPD and the reduction of wage and salary levels were all part of this strategy. Welfare benefits were cut back, and financial measures taken to pare down public expenditure and the machinery of the state. [80]

The backers of Brüning, and of Franz von Papen, who succeeded him as chancellor in June 1932, were the big industrialists, bankers, and landowners, and their allies in the military. They hoped to be able to dismantle the Weimar regime – and to reassert German great power interests in southern and eastern Europe – by merely authoritarian means, that is, by simply imposing their policies through the power of the existing state apparatus. But it soon became clear that the destruction of the organised working class – a necessary condition of achieving these objectives – could only be achieved by mobilising the paramilitary mass movement built up by the Nazis. As Tim Mason put it:

small and large entrepreneurs, farmers, master craftsmen and house-owners, commerce and big industry – they all demanded total affirmation of the power of property. They wanted to be assured with absolute certainty that the working class movement would never again possess the constitutional latitude that had permitted its considerable influence on the state's socio-economic policy in the 1920s. The National Socialist way out of this crisis of class society

was not the one originally preferred by big industry. But with the collapse of all alternatives on the one hand, and with the openness of the Party leadership to the ideas of the industrialists on economic policy on the other, it won increasing plausibility in these circles as well. [81]

And so the devil's pact between Nazism and big business was struck that allowed Adolf Hitler to become German chancellor on 30 January 1933. How close – or how far – are we from that point in Europe today? In case this seems like too alarmist a way of putting it, it is worth noting a recent article by the American neo-conservative intellectual Edward Luttwak. He argues that the development of globally integrated, and intensely competitive capitalism is unleashing a gale of 'creative destruction' that particularly threatens the jobs and living standards of white collar employees – including managers and professionals – in the advanced economies. But, Luttwak continues:

neither the moderate Right nor the moderate Left even recognises, let alone offers any solution for, the central problem of our days: the completely unprecedented personal economic insecurity of working people, from industrial workers and white collar workers to medium-high managers ... A vast political space is thus left vacant ... that is the space that remains wide open for a product-improved Fascist party, dedicated to the enhancement of the personal economic security of the broad masses of (mainly) white collar working people. Such a party could even be as free of racism as Mussolini's original was until the alliance with Hitler, because its real stock in trade would be corporatist restraints on corporate Darwinism, and delaying if not blocking barriers against globalisation. It is not necessary to know how to spell *Gemeinschaft* and *Gesellschaft* [sociological terms respectively referring to the cosy communities supposedly characteristic of pre-capitalist society and the cold, atomistic, individualistic society that replaced them – *AC*] to recognise the Fascist predisposition engendered by today's turbo-charged capitalism. [82]

Luttwak's argument is refreshingly free of the kind of complacency which equated the fall of the Berlin Wall with the end of history. Like many bourgeois analysts, however, he mechanically deduces political consequences from economic



developments, without considering the kinds of factors – national variations, political systems, ideological influences, class forces – which exert a decisive influence in determining how one follows from the other. A more helpful way of thinking about the future is provided by a formulation of Tony Cliff's, that observing Europe in the 1990s is like watching a film of the 1930s in slow motion. The same ingredients are present today – deep seated economic crisis which puts increasing pressure on the social structures which built up during the boom, crisis also of the political system, class polarisation involving both the growth of the fascist right and greater working class militancy. The pace of development of the crisis along these different dimensions, however, is – as yet – slower than it was in the 1930s. This can be seen in a number of respects.

- The economic crisis is not yet as severe as it was in the 1930s. To take the most important case, that of Germany, in December 1932 there were 5.8 million registered unemployed, nearly a third of the workforce: the rate of unemployment was even higher – 40 percent – among male industrial workers. There were, in addition, over a million unemployed who no longer bothered to register, and at least 2 million workers on short time working. [83] By comparison unemployment in Germany in 1994 is projected to average at 3,820,000, 9.9 percent of the workforce, a figure broadly in line with the Western European average of 10.7 percent at the end of 1993. [84]
- Bourgeois political structures, though under severe strain, are not yet as fragile as they were during the inter-war period. The First World War and the upheavals which followed it caused an immense shock to the political system. The empires of eastern and central Europe vanished; the successor states were often weak and generally unstable. The Great Depression encouraged a shift towards authoritarian, if not fascist rule across the continent. Surviving parliamentary

regimes – above all in Britain and France – found themselves besieged internally and externally.

Once again the Weimar Republic offers the clearest case of this process. The conditions of its establishment – first the overthrow of the Hohenzollern monarchy, then the defeat of the revolutionary left – meant that from the start the republic's existence was opposed by mass parties on both the far right and the far left. During the brief period of relative stability in 1923-8 the parties of the moderate right and left were able to evolve some kind of *modus vivendi*, but it did not survive the onset of renewed crisis in 1929. The Brüning government marked, in effect, the decision of the bulk of the ruling class to dispense with parliamentary rule. [85]

Bourgeois democracy in Western Europe has, by contrast, much stronger roots today. Even those states whose parliamentary institutions date only from the 1940s, like West Germany and Italy, have now experienced 40 years of political continuity against a background of economic growth. Class conflict has to a large degree been contained within the framework of bourgeois democracy, which has been able to weather some severe challenges, notably the upheavals of the 1960s and their terrorist aftermath in Italy and West Germany. Finally, the late 1970s and early 1980s saw the successful extension of liberal democracy to Spain, Portugal, and Greece, an achievement all the more remarkable because of the intensity of the class struggles which accompanied the fall of the dictatorships in these countries.

Of course, bourgeois democracy is now under considerable pressure throughout Western Europe. The kind of political strains this has produced can best be seen in Italy, where the 'First Republic', established in 1945 and based on the corrupt rule of Christian Democracy, has now been replaced by a 'Second Republic' over which even more sinister forces can contend. Nevertheless, the established form of capitalist rule in Western Europe can draw on political reserves – funds of loyalty, the institutionalised pattern of cooperation among the parties

representing the main class forces – built up over decades of relatively successful existence which simply were not available to the defenders of the Weimar Republic.

- The challengers to liberal democracy from the far right have been successful chiefly in accumulating votes. As yet fascist parties like the National Front in France and the MSI/National Alliance in Italy are primarily electoral machines rather than the paramilitary mass movements built up by Hitler and Mussolini. This is, from the point of view of the fascists' long term chances of winning power, a serious weakness. As Chris Harman argues:

they need an active mass movement behind them capable of penetrating every pore of society. Only that can give them the means to counter other social forces, especially the organised working class which is capable of blocking their totalitarian schemes. They need more than votes. They need supporters also prepared to face up to the risks involved in smashing every street, every housing estate, every factory, every office and every school. [86]

Of course, the existing fascist organisations are willing to use political violence. But small gangs of skinhead thugs who are brave enough to firebomb the homes of sleeping Turks, or beat up young Asians in dark alleyways, do not amount to what Harman calls 'mass street fighting organisations', like Mussolini's *squadristi*, or the Nazi stormtroopers (SA), who numbered 400,000 in 1932. The existence of these formations was critical in winning the support of big capital for Hitler's accession to office. Unleashing the SA seemed to be the only way of breaking the organised working class. Today's Nazis have yet to convert their largely passive electoral support into the kind of mass paramilitary force which might lead the bosses, should the general crisis become sufficiently acute, to back them.

The formation of the Berlusconi government with five fascist ministers is therefore not equivalent to Mussolini's appointment as Italian premier after the March on Rome in October 1922, for two reasons. First, the MSI are not the dominant faction in the new

government. Secondly, they lack the extra-parliamentary force to back up their ministerial positions. It was the reign of terror the fascist *squadristi* unleashed against the workers' movement after the defeat of the factory occupations of September 1920 which led the Italian bourgeoisie, along with the monarchy and the army, to back Mussolini's accession to power. The danger in the present Italian situation is that the fascists will use their position in the state apparatus to build up their popular support and to develop (with the help of sympathisers in the security forces) a real paramilitary movement. As yet, however, this is only a possibility.

Finally, the organised working class in Western Europe is considerably stronger than it was in the 1930s. In his major study of the German working class under Hitler, Tim Mason argues that mass unemployment after 1929 was a crucial factor in sapping the will of the strongest labour movement in Europe to resist the Nazi takeover. 'The fate of the working class in these years was progressive immiseration, hunger, fear and hopelessness ... In the frightful distress of this period the labour market too became politicised – the decision for political activism against National Socialism became more and more a decision for unemployment and hunger.' These circumstances, as well as the confusion, vacillations and divisions of the leaders of the social democratic and Communist parties, may help to explain 'the relatively limited resistance to the destruction of the workers' parties and the unions in the spring of 1933'. [87]

The European working class today, however, whatever defeats it may have suffered, and however much certain of its gains may have been eroded with the return of mass unemployment in the past 20 years, is plainly in a much better position to resist future assaults. This can be established by, for example, comparing strike figures. The onset of the Great Depression at the end of the 1920s saw a sharp fall in strike days in Germany (see [Table 3](#)). But the early 1990s have, as [Table 4](#) shows, seen a rise in the curve of economic class struggle in Germany. Similarly, in 1928 German trade union membership numbered four million, less than half the level in 1919-23. Today there are 11 million trade unionists in

Germany, only one million less than the all time peak reached in 1991. These figures provide an indication of the strength and combativity of the organised working class and therefore of the obstacles any all out offensive against it would have to surmount.

**TABLE 3: Strike Days in Germany 1928–32**

1928	20,288,211
1929	4,489,870
1930	3,935,977
1931	2,001,976
1932	1,137,890

[Source: H. James, *The German Slump* (Oxford 1987), p. 218]

**TABLE 4: Strike in Germany 1991–2**

	<b>Workplaces</b>	<b>Strikers</b>	<b>Strike days</b>
1991	367	208,178	153,589
1992	2,466	598,364	1,545,320

[Source: *Standort Deutschland*]

None of these differences between the 1930s and the 1990s constitute any reason for complacency. One lesson history teaches is the way in which quantity can turn into quality – how the cumulative effect of small scale changes and pressures can suddenly produce a systematic transformation in the situation. There are already some examples of this in Western Europe today – most notably the collapse of the party system in Italy, and Germany’s sudden leap into instability. The continuation of the

economic crisis – likely even if there is some temporary and partial recovery from the recession of the early 1990s – may create conditions in which the political structures of bourgeois democracy come relatively quickly under much more acute pressure, and some of the fascist parties are able to make the transition from electoral machines to paramilitary mass movements.

The film of the 1930s may, in other words, be running in slow motion, but it *is* running. This is not a reason to sink passively into despair, but rather to spring into action. The film need not have the same end this time round. Whether it does or not depends, as does every historical outcome, on the conscious intervention of human beings. It is undoubtedly the case that the existing organisations of the European left are part of the problem, rather than of the solution. The reformist organisations – the various social democratic parties, and the inheritors of Stalinism, like the PDS in Italy – have given up even pretending to offer an alternative to capitalism, and seek simply to manage the market more efficiently and humanely than the constitutional right. This Tweedledum-Tweedledee politics simply drives many of those who want real change into the arms of the fascists.

Much of what survives of the far left raised by the great wave of 1968, and dashed down when it receded, is little better. Most former revolutionaries have become appendages of the reformist parties (or sometimes of the Greens), and are therefore oriented on electoral politics. The few who have resisted these pressures are too often tempted by ultra-leftism of various kinds: like the *autonomen* in Germany and many COBAS activists in Italy, they believe that the existing trade unions are reactionary institutions that must be ignored or even attacked, even though the unions still command the loyalty of most militant workers, and often of the mass of the working class. And much of the left, whether it is drawn towards reformism or ultra-leftism, shares a moralistic political culture which confuses the struggle to rid the world of the various forms of oppression – of women, blacks, lesbians and gays, etc. – with the creation of a little, self-enclosed realm within

the larger society from which its inhabitants imagine they have banished oppressive practices.

But the crisis of the 1990s is creating a new generation of young workers and students who can be won to the ideas of the revolutionary Marxist tradition. The rapid growth over the past two years of the Socialist Workers Party in Britain and of its co-thinkers in the Socialist Revolution Organisation (OSE) in Greece offers a practical proof of this proposition.

This growth has been achieved in two principal ways. First, rooted in classical Marxism, these organisations have refused to have any truck with the idea that either the defunct Stalinist regimes or the various social democratic parties have anything to do with socialism. They have held fast to Marx's vision of the self emancipation of the working class. Secondly, the SWP and OSE have combined this stance of principle with a thorough and unsectarian involvement in whatever struggles have developed in their societies – with, for example, the poll tax rebellion and the movement against pit closures in Britain, and the great struggle of the bus workers in Athens. Of special importance has been the SWP's role since 1991 in building the revived Anti Nazi League as a mass anti-fascist movement uniting almost all those committed to fighting racism. In this way the two pitfalls of the European left – reformist accommodation and purist sectarianism – have been avoided.

The potential for revolutionary socialist organisation is vast. The need for it is equally great if an alternative to a capitalist society once again in crisis, and to the fascist barbarians seeking to exploit it, is to emerge. There is time to build such organisations right across Europe in the struggles that are developing – so long as that time is seized now.

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## Notes

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Mosler and John Rees for their help in writing this article

[1. Guardian](#), 19 April 1994.

[2. Independent](#), 13 January 1994. Chris Bambery gives an excellent analysis of the fascist revival in *Euro-fascism*, **International Socialism 60** (1993).

[3. Financial Times](#), 1 and 11 November 1993.

[4. The Pain in Spain](#), **Socialist Review**, March 1994, p. 7.

[5.](#) Though the plight of the Major government is very much part of this general European crisis, it has been dealt with very well by Lindsey German in [Before the Flood?](#) **International Socialism 61** (1993), and I shall only refer to Britain in passing.

[6. Financial Times](#), 29 December 1993.

[7.](#) A. Boltho, *Western Europe's Economic Stagnation*, **New Left Review 201** (1993), pp. 60–61.

[8.](#) T. Abse, *The Triumph of the Leopard*, **New Left Review 199** (1993), p. 4.

[9. Financial Times](#), 7 May 1994.

[10. Ibid.](#), 4 February 1994.

[11.](#) C. Harman, **The Fire Last Time** (London 1988), p. 15 (order of quotation slightly altered); see generally ch. 2.

[12. Ibid.](#), parts 3–5, and I.H. Birchall, **Bailing Out the System** (London 1985), part 5. For a trenchant analysis of how this process unfolded in Italy, see T. Abse, *Judging the PCI*, **New Left Review 153** (1985).

[13.](#) R. Debray, *A Modest Contribution to the Rites and Ceremonies of the Tenth Anniversary*, **New Left Review 115** (1978), pp. 46–47.

[14.](#) G. Lipovetsky, **L'Ère du vide** (Paris 1983), pp. 245–246. There is an interesting discussion of different French interpretations of 1968 in L. Ferry and A. Renaut, **La Pensée 68** (Paris 1985), ch. 2.

[15.](#) P. Ginsborg, **A History of Contemporary Italy** (Harmondsworth 1990), p. 342.

[16. Ibid.](#), pp. 407, 424, 409.

[17. Ibid.](#), p. 405.

[18.](#) E. Luttwak, *Italy's Ancien Regime*, **London Review of Books**, 19 August 1993, p. 7.



[19.](#) See E. Vulliamy, *The Man Who Knows What Italians Want*, **Weekly Mail and Guardian**, 31 March 1994, and, on P-2 and Italian capitalism, R. Cornwell, **God's Banker** (London 1983).

[20.](#) C. Harman, *The State and Capitalism Today*, **International Socialism** 51 (1991), p. 20.

[21.](#) P. Ginsborg, **op. cit.**, p. 284.

[22.](#) R. Cornwell, **op. cit.**, p. 113.

[23.](#) For a biting analysis of the scandal, see T. Abse, *Triumph of the Leopard*, **op. cit.**.

[24.](#) L. Trotsky, **The Struggle against Fascism in Germany** (New York 1971), pp. 121–122.

[25.](#) **Financial Times**, 12 April 1994.

[26.](#) **Ibid.**, Survey on Germany, 25 October 1993, p. ii.

[27.](#) **Ibid.**, 9 February and 27 April 1994.

[28.](#) **Ibid.**, 12 April 1994. See M. Albert, **Capitalism Against Capitalism** (London 1993).

[29.](#) See C. Harman, **op. cit.**, pp. 223–225, and, for a useful Marxist survey, G. Minnerup, *West Germany since the War*, **New Left Review** 99 (1976). There is much discussion of the German model in S. Lash and J. Urry, **The End of Organised Capitalism** (Cambridge 1987).

[30.](#) **Financial Times**, 14 April 1992.

[31.](#) Quoted in J. Parker, *Model Vision: a survey of Germany*, **Economist**, 21 May 1994, p. 10.

[32.](#) **Ibid.**, pp. 6, 7.

[33.](#) D. Marsh, **The Bundesbank** (London 1993), pp. 259 and 337, n 6.

[34.](#) **Financial Times**, 4 May 1993.

[35.](#) **Ibid.**, 17 July 1992.

[36.](#) C. Harman, *Where is Capitalism Going?*, **International Socialism** 58 (1993), p. 32. Wolf made the comparison with Reaganomics in **Financial Times**, 12 November 1991.

[37.](#) See D. Marsh, **op. cit.**, chs. 2, 8 and 9. This book's subtitle, *The Bank That Rules Europe*, is contradicted by the evidence Marsh provides of how, in critical policy debates, it was the west German government which was able to overrule the Bundesbank.

- [38.](#) See C. Harman, *Where is Capitalism Going?* **op. cit.**, for an analysis of the unsynchronised character of the recession of the early 1990s.
- [39.](#) **Financial Times**, 17 June 1993.
- [40.](#) **Ibid.**, 29 September 1992.
- [41.](#) **Ibid.**, Survey on Germany, 25 October 1993, p. i.
- [42.](#) **Ibid.**, p. vi.
- [43.](#) **Ibid.**, pp. vi, i.
- [44.](#) The main texts of the *Historikerstreit* are now available in (rather poor) English translation in **Forever in the Shadow of Hitler?** (Atlantic Highlands 1993). There is a good discussion of the controversy in C.S. Maier, **The Unmasterable Past** (Cambridge, MA 1988).
- [45.](#) J. Habermas, *The Second Life-Fiction of the Federal Republic: We Have Become “Normal” Again*, **New Left Review** 197 (1993), pp. 63–64 (translation modified).
- [46.](#) Quoted in *ibid*, p. 64.
- [47.](#) Personal communication.
- [48.](#) J. Habermas, *Second Life-Fiction*, **op. cit.**, p. 59.
- [49.](#) **European Industrial Relations Review** 200, May 1992.
- [50.](#) **Financial Times**, 19 May 1992.
- [51.](#) S. Lash and J. Urry, **op. cit.**, pp. 259–260.
- [52.](#) **Financial Times**, Survey on Germany, 25 October 1993, p. vii.
- [53.](#) *Revolt of the Mittelstand*, **European Industrial Relations Review** 221, June 1992.
- [54.](#) **Ibid.**, 233, June 1993.
- [55.](#) **Ibid.**, 238, November 1993.
- [56.](#) **Financial Times**, 29 September 1993.
- [57.](#) **Ibid.**, 23 February 1994.
- [58.](#) **Ibid.**, 1 November 1993.
- [59.](#) **Ibid.**, 15 February 1994.
- [60.](#) **Ibid.**, 7 March 1994.
- [61.](#) **IDS European Report** 387, March 1994.
- [62.](#) **Financial Times**, 20 September 1993.

[63.](#) See, for qualified defences of the German model, J. Parker, **op. cit.**, and D. Goodhart, **The Reshaping of the German Social Market** (London 1994). Michel Albert argues that ‘Rhine capitalism’ is both economically and socially superior to the *laissez-faire* rival model represented by ‘neo-American’ capitalism: see **Capitalism Against Capitalism**, but his book was written before the German economy went into recession in 1992–3, a development which has undermined some of his more extravagant claims.

[64.](#) C.S. Maier, **op. cit.**, p. 157.

[65.](#) **Financial Times**, 24 February, 25 February, 28 February, 2 March and 9 March 1994.

[66.](#) On the latter, see C. Harman, *Where is Capitalism Going?*, **op. cit.**, pp 115–117.

[67.](#) D. Marsh, **op. cit.**, ch9.

[68.](#) **Financial Times**, 7 August 1993.

[69.](#) **Ibid.**, 11 February 1993.

[60.](#) **Ibid.**, 3 March 1994.

[71.](#) **European Industrial Relations Review** 223, August 1992.

[72.](#) **Financial Times**, 31 December 1993.

[73.](#) **Ibid.**, 26 March 1994.

[74.](#) **Weekly Mail and Guardian**, 22 April 1994.

[75.](#) **Financial Times**, 10 November 1993.

[76.](#) **Guardian**, 18 February 1994.

[77.](#) T. Cliff, *On Perspectives* (1969), reprinted in **Neither Washington nor Moscow** (London 1982), p. 234.

[78.](#) **Financial Times**, 10 November 1993.

[79.](#) D. Peukert, **The Weimar Republic** (Harmondsworth 1993), p. 107.

[80.](#) **Ibid.**, pp. 145, 260.

[81.](#) T. Mason, **Social Policy in the Third Reich** (Providence 1993), p. 70.

[82.](#) E. Luttwak, *Why Fascism is the Wave of the Future*, **London Review of Books**, 7 April 1994, p. 6.

[83.](#) T. Mason, **op. cit.**, pp. 80–81.

[84.](#) **Financial Times**, 29 December 1993, 27 April 1994.

[85.](#) D. Peukert, **op. cit.**, chs. 11–14.

[86.](#) C. Harman, *[The Beast is Back](#)*, **Socialist Review**, February 1994, p. 9.

[87.](#) T. Mason, **op. cit.**, pp. 81, 86.

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