Neue Gesellschaft Frankfurter Hefte

Journal of Social Democracy

3 | 2013

€ 3,80

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INTERNATIONAL QUARTERLY EDITION

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Europe is on the verge of using up the stocks of consensus and social capital that it took such pains to accumulate. The Treaties of Rome held out the promise that living standards across the continent would one day approximate to a common level. What we are witnessing instead is a widening gap between living conditions in parts of Southern Europe, which are approaching sheer destitution, and the comfortable standards of Northern regions, which have scarcely declined at all. Northern countries have appropriated countless billions in bailout money for the banks and government budgets of the South, but these funds have brought few benefits to Southern populations facing dire poverty. Taking a shortcut past impoverished Southern Europeans, those funds pass through the hands of ailing banks in the South and thence back into the coffers of banks in the North, helping to stabilize the situation there. It is no wonder that the people suffering most in the crisis countries cannot discern anywhere in Europe the slightest hint of that solidarity which was once invoked as the heart and soul of the project of European unification. At any rate none of the funds are reaching the needy. Meanwhile, taxpayers in the North have to provide (presumably risky) loan guarantees on a scale of billions of euros to keep the circulation of financial bailout funds flowing. True solidarity looks very different, as would a policy seriously designed to encourage it. It is high time to initiate a change of course in European policies, because by clinging to the current failed course, based as it is on the harshest forms of austerity, we are daily allowing the cracks in Europe's foundation to grow deeper.

As usual, some of the essays in this volume are devoted to European topics. Other articles try to pin down the relationship between »good work« and democracy, which also defines one of the major issues in the German electoral campaign. Yet the ideas of the latter articles implicitly raise much broader issues, since good work is part and parcel of a dignified human existence everywhere in the world. We also ask whether China's recent engagement in Africa is one of the driving forces behind the upsurge of a continent once written off as a hopeless case, or whether China is merely pursuing old, presumably discredited colonial policies by different means. Finally, this year the Social Democratic Party of Germany will be offering us a rare spectacle in the world today: the sesquicentennial celebration of the Party's founding. The festivities should provide an occasion for deeper reflection on the question of whether the SPD's longstanding programmatic commitment to changing the world remains a source of strength for the Party or whether it is now just a burden. Today, one has to ask where the energies will come from to carry on the struggle against inequality and the colonization of the life-world by markets.

Thomas Meyer

Thomas Meyer
Editor-in-Chief and Co-Publisher

A Conversation with Jutta Allmendinger

Good Work means far more than Paid Employment

Jutta Allmendinger is a sociologist and President of Berlin's Science Center for Social Research. In her previous scholarship she has focused primarily on the ways in which education, the labor market, and the social welfare state have influenced the course of human lives. She has also done considerable research on gender inequality. For some time now she has devoted her research efforts to the sociology of education. In this conversation with NG/FH she explains, among other things, what she means by the term »good work« and how we might resist the trend toward ever more precarious work. Thomas Meyer conducted the interview.

NG/FH: What exactly does »good work« mean in advanced industrial and service societies like our own? Would it be possible to refashion all of the working conditions in this country on the model of good work? And is good work attainable for everyone within a reasonable time-frame?

Jutta Allmendinger: Questions about good work usually have paid employment in mind. I would like to take a broader approach. As far as I am concerned, the most important requirement for good work is the successful linking of paid and unpaid work. Only in the light of an entire lifetime can one say what good, gainful employment is. How do high pay, job tenure, and a pleasant work environment benefit me, if they compel me to give up partnership, children, and closeness to parents and friends, as well as culture and community? For me good work means being active without completely surrendering to paid employment. On the other hand, good, gainful employment includes socially insured employment contracts, a living wage, enough security to plan ahead, a healthy work environment, and a schedule that can be adjusted over the course of one's lifetime.

All employment relationships should include social insurance, a minimum wage, and enough job security so that the employee can plan ahead. But even if that were the case, there would be wide disparities among the various types of paid employment. Different kinds of qualifications would be required; social status, income, and opportunities for promotion would vary; and employees would not all enjoy the same level of autonomy. And, of course, not all jobs offer the same opportunities for formal consultation with, and input by, employees that one finds in the German system of co-determination. The decisive point for me is that we should make sure our employees are protected against a precipitous drop in their living standards. That can be accomplished quickly if entrepreneurs and politicians have the will to do it.

NG/FH: Right now there are almost ten million people in Germany working on terminal contracts, doing temporary work or »mini-jobs.« A growing number of employment contracts permit de facto »wage-dumping,« in which wages in one or more firms are slashed in an effort to undercut competitors' prices, causing a race to the bottom. Eight million people are now working in the low-wage sector. So it makes sense to say that the world of work is getting more and more precarious. What would an effective employment policy have to accomplish in order to approach the goal of good work for all as quickly as possible? What can lawmakers do to counter the trend toward precarious work, and thus the social cleavage between uncertain, low-wage jobs and »regular« employment with benefits, job protection, and decent wages?

Allmendinger: It is true that precarious employment in Germany has been expanding over the years. But the picture is a bit more ambiguous when, in this context as well, one thinks of work in broader terms. Today more women are employed and have their own incomes. Yes, many of these women work part-time; many are just marginally employed and receive a very low wage. But many women often used to have a precarious existence when they were housewives, too. They usually depended on their husbands' income, so they faced utter destitution if they lost that income.

But let's go back to your question. To fight precarious employment one has to start early, even in the schools. The proportion of poorly educated people has to be reduced by improving pre-school and school education, and by that I have in mind something more than just training geared to paid employment. Human beings can only take their place in society and the world of work when they have a decent education. Here I would refer to the report of the Progress Forum issued by the Friedrich Ebert Foundation, which puts the capabilities approach at the center of its vision of a good life.

Furthermore, without a minimum wage there is no way to have good work. But to target our efforts against the low-wage sector accurately, we have to distinguish among the various forms of precarious work, since each of them calls for a different response. For example, more and more temporary employment contracts are being signed; in fact, by now they make up about half of all contracts for new positions. That situation is precarious for many employees because it entails dependence and uncertainty. More and more people fail to make the leap into long-term, secure employment, since even the share of temporary employees in the total job numbers, now about a tenth, is higher today than it used to be.

There is a way to slow or even reverse this trend. It should be possible to place some restrictions on the number of time-limited contracts a person can be tendered until he or she finally receives a full-time job offer. But in recent years the very opposite has been happening, as more and more contracts are relatively short-term, even when there is no good reason to make them so. Terminal contracts are easier to put up with if employees can feel confident that they will soon find a secure job again, and receive transfer payments in the interim to cover their needs. The proper catchword in this case is »future prospects that one can count on.« Where temporary work is concerned – another form of precarious employment – some progress has been made by extending negotiated contractual agreements to cover temporary employees as well. I do see major problems with contracts that outsource work to subcontractors paying low wages. Here lawmakers and union/management negotiating partners need to work out some clear rules and set limits. To sum up, both preventive and therapeutic approaches are possible and necessary. We have to prevent people from slipping into the low-wage sector as well as easing their way back out of it.

NG/FH: Does public-sector employment serve as a kind of ideal for what good, secure work should look like?

Allmendinger: It is true that public service jobs usually do not have time-limited contracts. Moreover, as compared to the private sector the gaps between different wage and salary levels are much narrower. In this respect the public sector does serve as an ideal. Still, we should remember that it is not as deeply influenced by the business cycle and international competition as many areas of the private economy are.

Yet even the public sector is far from having achieved everything that the ideal of good work implies. Public employees are offered too few opportunities for continuing education, and it is rare to find women in leadership positions. Moreover, it is often hard to justify the differential treatment accorded civil servants versus ordinary white-collar employees without civil service rank. In many divisions of the public sector one could eliminate or limit the transition to civil servant status.

NG/FH: Recent research findings have revealed the dark side of a laboring society that keeps going round the clock: mental illnesses, lost time due to exhaustion, daily struggles by employees to be listened to and recognized for their accomplishments at work, etc. The majority of employees experience working conditions that lead to premature deterioration in their health. What can be done about all this? Who is responsible: employers, labor unions, lawmakers?

Allmendinger: For much too long we have ducked the question of how we are going to reinvent a world of work in which more and more people capable of earning a living are actually employed. Old-style labor relations, which were once considered normal, cannot be applied arbitrarily to every single person. Once, virtually every male was gainfully employed, while women took care of everything in the household. Today we are witnessing an intensification of work for both sexes. Men can no longer assume that someone else will take care of all the tasks that arise outside of their on-the-job responsibilities; hence, they will have to take up some of the slack. As a result, their aggregate work time increases. But matters are much more serious in the case of women. In addition to the increasing burden of paid work, they still have to do a lot of unpaid labor, including housework and childcare.

That is the reason why I am in favor of a reduction in the number of hours normally devoted to paid work, measured over an entire lifetime. Even if we manage to open more full-day schools and good daycare and learning centers for children, which are all urgently necessary steps, a good life is still unattainable when both parents work at full-time paid jobs. There is not enough time left for relationships, children, and parents, and it is almost impossible to continue one's education and/or training. If a rebalancing of working hours between men and women were achieved, there would be no need to worry about the aggregate labor volume, since it will remain stable. Productivity might even increase, since it would be possible to make better use of women's good education, while deemphasizing men's culture of »showing up for work« and staying on the job. It is up to civil society to grapple with these fundamental issues, whereas implementing solutions is a matter for business firms, union-management negotiating partners, and the government.

» Today we are witnessing an intensification of work for both sexes. That is the reason why I am in favor of a reduction in the number of hours normally devoted to paid work, measured over an entire lifetime. «

NG/FH: How should family and labor market policies be integrated so as to overcome gender inequality and gender bias in the workplace and offer all members of society a better chance to improve their lives?

Allmendinger: I would like to take educational and social policies as a package deal. At the top of my list would be an effort to reduce the large income differentials between men and women that are due to the disparity in the amount of time they work. This is where we need to reallocate working time between the sexes, both in the workplace and in the household. The gender income gap is certainly more important than the gender wage gap; that is, differentials in monthly income loom larger than differentials in the hourly wages earned by men and women, respectively. It is mainly the gender income gap that leads to often meager old-age pensions for women. It is irresponsible to change the alimony law so that women are on their own three years after a divorce, without previously establishing the proper balance between work and family and adjusting the work time of men and women accordingly.

NG/FH: Considering reports of success in employment policy as well as the actual record, does it still make any sense to deal with mere employment figures? And if not, what should replace them?

Allmendinger: No, but it has never really made sense. As we know, statistics are always being collected about employed and unemployed people, which are then analyzed and reported. But people who are not gainfully employed and who do not report to the official job-placement agencies should also be included in these surveys. In addition, we need a form of reporting that takes work time into account more than has been the case previously. That is so because, when we try to evaluate the record of employment policies, it makes a difference whether or not the number of hours worked rises in tandem with an increase in employment numbers. Besides, we need to take a closer look at the nature of employer/employee relationships and the changes they are undergoing, as well as the wage gap. All these statistics are available of course, but the feature reports done by the media usually focus only on the numbers of the unemployed, although they sometimes also report on the number of employed people required to pay into the social insurance system.

NG/FH: The current conservative-liberal government is exacerbating the divisions

in labor markets. They tolerate and indeed sometimes actively promote the increase in »atypical« work arrangements that are gradually eroding normal employment contracts, in which employees are required to contribute to social insurance. What are the main points of the alternative, good work strategy that will be a part of this year's electoral choices?

Allmendinger: Agenda 2010 and the moderate wage policy that accompanied it have done quite a bit of good, despite the criticisms that have been leveled at certain aspects of it. In large measure, the positive labor market figures we are seeing can be attributed to this great, courageous reform. Yet because economic science has not yet figured out how to correlate the increase in employment with specific elements of the reform, it is difficult to prove that this or that aspect of the reforms caused improvement in the overall employment picture. The negotiating partners from management and labor as well as the conservative-liberal government have begun to address some crucial issues, especially making wage agreements binding for temporary employment. But a great deal remains to be done, including the adoption of an across-the-board minimum wage and reforms of tax and social insurance laws so they offer fewer incentives to create mini-jobs. Also, the rule that allows married couples to gain tax advantages by filing joint returns should be revised, since it has not kept up with the times. In this way billions could be invested in preventive labor market policies, meaning especially early intervention to improve the education of children who come from socially vulnerable families. ■

Detlef Wetzel

Precarious Employment Undermines the Foundations of Society

»Good work« is a prerequisite for democracy

It has been claimed that the »cheap strategy« adopted in the wake of Agenda 2010 has swelled the ranks of the employed. In reality the labor volume in Germany has barely inched up, which offers evidence that secure, full-time positions have been converted into a lot of small, precarious »cheap« jobs. »Good work« is not only indispensable for the prospects and self-esteem of jobholders; it is equally vital in enabling the polity to function smoothly. Ultimately, good work serves as the engine that drives business competitiveness and enables firms to innovate.

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Under the aegis of the »initiative on new quality in work«, a study carried out in 2004-2005 was supposed to clarify what »good work« is. A representative sample of employed individuals was surveyed, which yielded the following definition of good work:

»From the viewpoint of the employee, good work means having a stable, reliable income, long-term employment, and the chance to use and develop one's creativity and skills on the job, build social relationships and gain recognition. Work is judged in a positive light when there are enough resources available, for example, to offer opportunities for training, development, and influence, and when the employee has a good relationship with his/her superiors and colleagues. Another important factor is that standards of performance on the job should not be so high as to make the employee feel excessively pressured.«

Human beings need good work, understood in this sense, in order to have good lives. Good work offers opportunities for self-actualization. It reinforces self-esteem and forms the basis for psychological and physical health. But above all good work provides the security that people need to plan ahead with confidence. Conversely, when good work is neglected, the foundations for a good life are shaken.

Good work facilitates social progress and sets the stage for a solidarity-based system in the »laboring« societies of our era. For a long time Germany was a country with relatively slight social inequality and a high level of job security. The distribution of income was stable, while all strata of the population benefited from economic growth. Those factors reduced strains on government budgets, especially those for social services. Incomes did not have to be »supplemented,« and employees earned the right to an old age pension that was sufficient for a good life.

Individuals gain social recognition by »doing their share« – working to meet their own needs in addition to paying taxes to help finance programs that serve the common interest. But good work is also a necessity if a person is confidently going to seize the opportunities to participate in activities offered by his/her workplace and indeed by society as a whole. Recipients of transfer payments often see themselves as »boarders« in society. In consequence they lose their self-esteem and rarely take advantage of opportunities for social participation. In other words, when the social foundations provided by good work are stressed, human beings are marginalized, while social cohesion and the democratic polity are undermined.

Good work is the basis of our economy. In Germany prosperity is based on the labor of millions of highly qualified people manufacturing products that no one else can make. At bottom, »made in Germany« has been a success story because firms and workers competed to innovate: to make a better product, provide the greatest benefit to customers, or to maximize productivity. The secret of this success story was, at least in part, the practice of rewarding those who upgraded their skills by promoting them within the firm. Incentives were offered to encourage employees to enhance their qualifications. Conversely: when the upgrading of professional qualifications no longer pays off in higher wages and more security, and when we abandon the effort to create jobs that require the most exacting standards of training, we are vitiating one of the key factors that have made Germany such a success. We will not win the competition with other countries by offering low wages and poor working conditions. Those who make things on the cheap always run into a competitor somewhere that can make them even more cheaply.

The grand illusion

How do things stand in our society where good work is concerned? By the end of last year (2012) nearly 42 million Germans had a job, more than ever before. At first glance it might seem as though the plans that inspired the country's labor market reforms, especially Agenda 2010, had been a resounding success. The philosophy behind the reforms was simple enough: labor markets supposedly had been greatly overregulated, which had slowed down occupational dynamics and jeopardized international competitiveness. The proper response was then to break down those rigid, inert structures in order to combat unemployment via enhanced flexibility and lower wages. Accordingly, markets for temporary labor were deregulated, while the low-wage sector was expanded. Also, while the unemployed were still permitted to turn down »unreasonable« job offers, the criteria for what counted as unreasonable were tightened.

A second look at these reforms shows that they have been responsible for the decline in the quality and value of work. The low-wage sector has grown at a breakneck pace in just a few years, reaching 24 % of all employment by this time. The proportion of »working poor« in the entire employed population has grown faster in Germany than in any other European country. Parallel to the spread of working poverty, there has been a dramatic increase in Germany in the numbers of those who are »atypically« employed. Thus, the number of temporary employees has climbed from some 300,000 in 2000 to almost a million in 2012. Those shifts have had far-reaching consequences both for purchasing power and social welfare budgets. As of today more than 700 million euros have to be paid annually to supplement the incomes of temporary workers who cannot make ends meet from their wages alone. These trends affect more than just the low-skilled workers. Almost 70 % of low-wage workers have completed some kind of professional training, while 10 % even have a university degree. It is unlikely that people in this position will ever find a regular job, let alone good work. Two-thirds of all low-wage workers never find permanent employment. Here we can only hint at the dismal long-term outlook for future old-age pensions.

Even a third glance at the labor market offers no evidence that the reforms have been responsible for enhanced job creation and relatively low unemployment. The mere fact that Agenda 2010 preceded employment growth does not prove anything. If we look at the number of hours worked, we notice that they have hardly increased at all since Agenda 2010 was enacted. In 2012 Germans worked a total of 58.1 million hours, which is only 3 % more than in 2010. This statistic tells us that secure, full-time positions have been converted into many small, precarious cheap jobs. In short, it would be misleading to talk about any real qualitative improvement during this period. Indeed, things would surely have gotten worse had it not been for some other events that transpired during the last ten years. Without going into too much detail, I would like to mention a couple of these. One has to do with the dynamics of the business cycle. The end of 2005 marked the onset of a long upturn associated with an expansionary phase of the business cycle worldwide. When demand for cars in China and other emerging markets picks up and jobs are created, that has nothing to do with labor market reforms. The second event was a strategy devised primarily by labor unions and employers to deal with the great crisis of the financial markets in 2008 and 2009. Employees traded greater flexibility in working hours for the opportunity to remain with the firm that employed them even during the downturn. As a result, unemployment rose only slightly. In tandem with certain other measures like the »cash for clunkers« program, this agreement prevented the collapse of the domestic market. It also meant that businesses could immediately call upon their usual well-trained personnel once the crisis came to an end. And there is one more event worth mentioning: the introduction of the euro has contributed in no small measure to the strengthening of Germany's export-oriented economy. What would Agenda 2010 accomplish if the euro were to be discarded tomorrow and Germany had to reintroduce the D Mark, now worth some 40 % more than before? There would be two million more unemployed, because the export market would have collapsed.

In conclusion, the reforms we have been considering have significantly worsened the quality of labor in Germany, while doing nothing to improve the situation quantitatively.

If labor market reforms have been primarily responsible for the decline of good work in Germany, then that is where we have to start if we are going to change anything. But before I sketch out what needs to be done, a few words should be said about what the labor union IG Metall has tried in labor-relations and wage policy to enable people to find good work. For IG Metall, secure and fair work has been topic number one in the last few years

– and will surely remain so – whenever working conditions, wages scales, and social policy are on the union's agenda.

Our vision of »better rather than cheaper« reflects a similar concern for improving policies on working conditions in the individual firm. The decisive factor in competition is the ability of a given enterprise to innovate. What factors lead employees to innovate? They do so only when abilities, communication, individual freedom, and opportunities for participation all encourage them to do so. Furthermore, they will innovate when the work asked of them is feasible over the long haul and does not entail any damage to their health. For those reasons, the wrong way to stimulate innovation is to demand workload compression and wage stagnation, as the »cheaper solutions« scheme does. But »better strategies« such as using materials more efficiently do help to create new jobs in industry and ensure that there will be good work in Germany. This is the point at which our works councils and union workplace representatives can get actively involved. Drawing on their own ideas and supported by scientific know-how, they will be able to offer management policy alternatives to the currently popular cost-cutting approach. They also can call to account the firm's top managers when the latter neglect innovations and investments that would help make the enterprise a better place to do business in the long run.

In respect to wage policy, we have introduced the principle of equal pay scales for temporary work, backed by binding wage agreements. Furthermore, we have expanded co-determination on works councils. In these respects the situation of many temporary employees has noticeably improved. Wage contracts have also insured that trainees will be hired, which brings a bit more security into the life-planning of younger people. Having done all this, IG Metall is now turning its attention to another troubling trend: the outsourcing of work to subcontractors who pay lower wages.

Of course labor unions cannot eliminate every misguided development by themselves. It will take political decisions to create new arrangements in the labor market. But isolated measures will not be good enough. Given the dimensions of the problem, it will take a synergy of many different initiatives to make headway. It is impossible to give a detailed account of them all here, but I would still like to offer a brief outline of the crucial policies that ought to be implemented.

- Germany needs a minimum wage. Research on minimum wages shows that they do no harm and increase the wages of women in particular.
- Because we are facing a looming shortage of skilled personnel, we need a new model of good work. Moreover, we should launch an offensive to improve worker qualifications.
- We need to regulate temporary work according to the principle of »equal work-equal pay-equal rights.«
- The misuse of labour outsourcing must be stopped.
- We need to stabilize the system of collective bargaining by making it easier to declare that agreements are generally binding on an entire branch of industry. This is the only way to prevent some firms from opting out of the entire system of collective bargaining by leaving (or never joining) the employers' associations. Furthermore, the law requiring adherence to wage agreements must be strengthened.
- Finally, we need to institute a collective legal right, granted to recognized associations, to file lawsuits in cases where wage agreements have not been honored and the law thus has been violated. In addition, the rights of individual employees to file a complaint should be strengthened.

Good, secure, and fair work is not merely possible. It is also urgently necessary not only for the individual, but also for our society and economy. ■

Cornelia Heintze

Not Built to Last

The German System of Care and Social Support for the Elderly – as Refracted through the Scandinavian Model

More than most other countries in the OECD, Germany is facing the problems of an aging society. Besides the financial commitment, the need for skilled personnel is increasing as well. To cope with these trends, changes in the system of care will have to be made. Caregiving professions in this country will have to be upgraded and made more attractive by offering more appropriate wages, introducing modern models of care, and improving the institutions that care for the elderly. A look at Scandinavia may prove instructive.

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When it comes to the care, nurture, and everyday support of elderly people, the Scandinavian countries rely on the infrastructure of local government, cost-sharing, and nearly free access. There the dominant pattern features professional care tailored to the individual person's needs plus a low threshold of access. Private caregivers and care by relatives play a subordinate role.

The German system of care follows a philosophy that contrasts markedly with the Scandinavian model. Instead of relying on high-quality, publicly financed services, it seeks to privatize costs as much as possible. This is done in two ways. First, insurance coverage for care of the elderly is only partial; a portion of the costs incurred are not covered by insurance at all and must be assumed by the individual. Second, relatives of the elderly person are expected to bear the main burden. Even then, the official definition of a person who needs care is quite narrowly framed. His or her physical needs are the top priority, whereas social and mental needs are often neglected or even excluded from the definition. The German system does indeed meet its goal of holding down public expenditures, but it pays a high price for doing so. Older people are not kept as healthy as they are in Scandinavia. Moreover, many ordinary citizens as well as employees in long-term care facilities are highly dissatisfied with the status quo. The former are unhappy with the options they are given, while the latter complain of the often-poor working conditions. Politicians have so far failed to make the necessary course corrections to find a way out of the vicious circle. Nor have they planned ahead for the time when the family, the mainstay of the nation's current caregiving system, will have to relinquish its former role, simply because there will be fewer and fewer family members around to assume the burdens. The Scandinavian model has a great deal to teach public officials who are interested in making more than cosmetic improvements.

How Germany cares for its senior citizens

In Germany 80 % of those who need care belong to the over-65 generation. The law requires everyone to have some sort of health insurance, usually through a so-called sickness fund, but also at times individually, via private policies. In either case, they automatically have long-term care insurance as well, which entitles them to both in-home and institutional services, as long as they are officially classified as needing care. But in order to be so classified, they must pass through a rigid system of evaluation geared to identifying physical deficiencies. For example, someone who qualifies for care level I would need on average at least 90 minutes a day, every day of the week, for basic care and household chores. Of that time, at least 45 minutes would have to be devoted to the basic care side: washing, bathing, going to bed, etc. Anyone whose ability to function in daily life is limited, but who does not need care in the medical sense, tends to fall through the grid of Germany's narrow notion of »needing care.« In Scandinavia the evaluation of candidates for elder care, run by local governments, follows a different philosophy. There the idea of the assessment is to make sure that older people receive all the services they need to stay healthy and lead as independent a life as possible, whether these involve medical care, assistance with the tasks of daily life, or social support. Thus, the level of help runs the gamut from a package of services that only requires a few hours a week all the way up to round-the-clock care. This different approach explains why the proportion of the over-65 generation (in Norway over 67) who receive in-home services (personal care, home help, practical assistance) in Scandinavia is much higher than in Germany (as the table shows), even though the proportion of elderly people who are chronically ill there is considerably lower than it is in the Federal Republic. According to data on health structures furnished by Eurostat, German women who turned 65 in 2011 will spend only one-third of their remaining years in good health. By contrast Danish women of a comparable age will enjoy good health for two-thirds and Norwegian women almost three-quarters of their remaining years. The statistics for men show similar outcomes. Among other things, preventive medicine offered during in-home visits with Danish senior citizens helps to keep them so healthy. Those visits have been uniformly regulated since 2003 as part of the obligations that local governments are required to fulfill. Every Danish resident who has reached the age of 75 and lives alone without any outside assistance is offered preventive home visits at least twice a year. Citizens can accept or decline the offers, but roughly a third of the potential beneficiaries do accept.

Caregiving services in all the Scandinavian countries are basically free, or, if seniors entitled to services prefer, they can get vouchers and use them to pay for private services. To be sure, fees are also imposed for certain services in Finland and Iceland. When a caregiver has to live in a senior citizen's home, there is a twofold arrangement: the state pays the costs of care, while the resident of the house covers room and board. If his or her pension is not sufficient to pay those costs, then the local government lends a hand. Relatives have no legal obligation to provide support.

In Scandinavian countries the state rather than one's own family is considered to be responsible for long-term care. But even there relatives of the elderly do have some role in caring for them. In Sweden during the nineties there was even a slight shift toward having relatives assume more of the burden of care. One reason for that shift may have been a decline in the quality of the services being supplied by public service-providers, which makes it evident that the demand side reacts sensitively to changes in what is being supplied. In Scandinavian countries those who offer informal care are well integrated into the system run by local government. Informal caregivers and the local service-providers make a contract stipulating the conditions of service provision and laying out the details of the kind of care being offered. As a quid pro quo the informal caregivers receive financial remuneration that exceeds the »payment for services« that Germany offers to caregivers. The integration of informal caregivers into the official system has proceeded so far that it may even include substitute jobs. That is, relatives who care for elderly family members may almost become employees of the local government.

In Germany public service-providers have traditionally played a very limited role in the provision of care. Where ambulatory services are concerned, their share of all service provision has been constant at under 2 %. In the case of institutional care, up through the 1990s there was a public sector that insured that there would be a reasonable choice among different kinds of service-providers (local, religious-based, private, etc.). Taking the average for all of Germany, in 1999 11 % of the residents receiving long-term institutional care were in public homes; by 2009 that share had dropped to 6.5 %, although the numbers ranged from 10 % in Bavaria, Baden-Württemberg, and Thuringia to fewer than 3 % in Berlin, Hamburg, Rhineland Palatinate, Lower Saxony, and Saarland. The for-profit segment of the market has grown by leaps and bounds. Its share of the care-provision pie has increased from 35.6 % to 47 % for ambulatory services and from 24.8 % to 35.7 % in the case of nursing homes. In other words, care for the elderly in Germany is increasingly being commercialized. The state does not take over for the family as in Scandinavia, rather, the market does.

The rise of private, for-profit entities in care-provision correlates closely with the drift of the entire industry toward the low-wage sector. It is especially easy to practice so-called »wage dumping« (using low wages to slash costs and thereby undercut competitors' prices) in this fragmented industry, which labor unions have great difficulty in organizing. That trend, in turn, serves the presumed goal of keeping public expenditures low. In the Scandinavian region the importance of private service-providers has certainly grown, but it has been concentrated in just a few places such as the Stockholm metropolitan area. Looking at the larger picture, it is clear

A Cross-National Comparison of Elder-Care Systems 2009/2010

	Germany	Denmark	Finland	Iceland	Norway	Sweden
People over 65 who receive professional care at home (%)	3.0	25.6	6.4	20.8	17.3	12.5
People over 65 who receive care in institutions (%)	4.2	4.8		8.1	10.3	5.8
Full-time equivalent staff per 1000 elderly (65+)	37.6	119.5			198	
Public expenditures (in euros) per resident over 65 (includes both monetary and in-kind support)	1,209	6,357	2,290		10,725	6,832

Source: Heintze, Cornelia (2012): *Auf der Highroad – der skandinavische Weg zu einem zeitgemäßen Pflegesystem (On the High Road: Scandinavia's Path to a System of Care that Suits the Times)*, in WISO Diskurs der Friedrich Ebert Stiftung (July, 2012), Bonn.

that local governments continue to exercise a near-monopoly over institutional care. Scandinavian averages indicate that private agencies (2010/2011) have attained only a 10 % share of all service-provision for the elderly, although they have gained more ground where in-home services are concerned, especially in household assistance.

The aging of society coupled with dwindling opportunities to shift the burden of care to families in a one-sided fashion have combined to make employment in the caregiving industries a much bigger factor in overall employment than before. The number of people employed in Germany in either ambulatory care-provision or in-patient institutions rose from 624,700 in 1999 to 890,300 in 2009. Yet this employment growth was driven almost exclusively by an increase in part-time jobs. In 1999 43 % of employees in caregiving agencies or firms still worked full time; by 2009 that figure had fallen to just 31 %. In the Scandinavian region there are far more jobs in this field (see the table), because of systemic differences in approach as well as the more favorable staffing ratios (i.e., more staff per patient or resident). In Norway in 1994 there were .36, and in 2011 .59 full-time equivalent staff for every nursing home resident.

Germany ranks just behind Japan and just ahead of Italy in having the highest proportion of elderly people; the over-65 generation constitutes easily one fifth of the population there. However, public expenditures reveal a quite different and even contrary picture. In comparison with countries that have a qualitatively superior system of care (which include, besides the Scandinavian countries, the Netherlands and Belgium), Germany has a financing gap approaching 100 billion euros. Yet it is not only the level of financing that distinguishes Germany from the Scandinavian countries, but also the direction in which it is heading. In the Nordic zone, public expenditures grew at a rate faster than the proportion of elderly people in the entire population, while in Germany it was just the opposite. As a result, Germany did not catch up, but actually fell further and further behind (to gauge current financing discrepancies see the table below). If the data are adjusted to reflect differences in per capita economic power, there are still »surplus« expenditures per over-65 resident ranging from around 1,300 euros in the case of Finland to 5,000 euros for Norway. Unless politicians are willing to reduce this massive public underfinancing, care for the elderly will remain a major part of Germany's low-wage service economy, and will continue to put employees in the sector at risk of falling into poverty.

Care for the elderly as judged by the general population and service-providing employees

Considering the deficiencies that plague long-term care in Germany, it should come as no surprise that the populace gives low marks to its own system of care. For example, an EU-wide opinion survey done a few years ago (Eurobarometer 2007) registered negative evaluations that were almost as bad as the ones typically found in Eastern and Southern European countries. The German public expressed its dissatisfaction not only with the high cost of care, but also with its quality. 55 % of the German respondents (versus only 4 % of Danish ones) reported that they could not afford to pay for in-home care services. In the case of institutional care in a nursing home, 75 % of Germans – and only 13 % of Danes – said that they could not afford it. Quality too was judged to be rather low. It is striking that the countries with the best evaluations were the ones in which care for the elderly is a public trust and where informal care plays only a limited role.

Things do not get any better when one looks at how (dis)satisfied caregivers are with working conditions in their field. In one comparison of eleven European countries (the »Nurses Early Exit Study« done in 2005) job satisfaction was highest in Norway (85 % of respondents expressed overall satisfaction versus only 46 % in Germany). In Germany one finds the cleavage that is typical of market-dominated developments. A quarter of nursing homes registered satisfaction scores of one third or less, while another quarter at the other end of the spectrum achieved satisfaction scores of over 60 %. ■

Franz Walter

The Fire is dying

At one time the experiences of downward mobility and humiliation provided fertile ground for the workers' movement. But today most Social Democrats have never had to endure social exclusion – well, at least not the party officials. Our author believes that the SPD has become a party mainly of retirees and employees with secure jobs; hence, its role as the tribune of the disenfranchised is merely a pose. So it would be in vain to expect any answers from Social Democrats to the harsh new conflicts that neo-capitalism has unleashed.

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150 years of history: a party can take justifiable pride in that. After all, it was in no way preordained that any party would endure for so long. Germany of course has gone through enormous upheavals during this past century and a half. It has experienced several regime changes and far-reaching social transformations, suffered through depressions and inflations, and witnessed migratory movements, treks by refugees expelled from their former homes, and influxes of new migrants. Speaking more generally, during that time period Germany developed from a predominantly agrarian country into a knowledge-based society. But none of this sufficed to knock the Social Democrats out of the game.

There always has been fertilizer aplenty to keep the party flourishing. For over 100 years the socialists endured a (for them anyway) characteristic tension between the inadequacies of their current reality and the utopian ideal of a better future: in short, between is and ought. This tension, with its anticipation of what did not yet exist, provided reasons and inducements for engagement in leftist causes. In other words, the original impetus of social democracy was reinforced by the initial destitution of the industrial underclass. The holy and just anger of the pioneers of the workers' movement drew its motive force from the humiliation of the class of wage laborers in its formative phases. Fury, outrage, hatred – and not necessarily charity or a good heart – formed the soil of socialist solidarity. Furthermore, the experience of suffering defined the goals of social democratic solidarity: to eliminate the causes of poverty and abolish the social conditions that gave rise to subalternity among the class of manual laborers, and to do so gradually, tenaciously, with superior staying power. One after another the social evils were tempered; Social Democrats managed to win a series of partial victories. The initial conditions that had once given them verve and passion on their long historical journey began to fade away.

In short: during this process the Social Democrats could not continue to be what they once had been in their early days, because their efforts had begun to pay off. In the course of the movement for emancipation, the activists in the party climbed a few rungs higher on the ladder due to their own accomplishments. They did not make it all the way to the top, but they advanced quite far. Considering the progress they achieved, especially during the era of the Federal Republic, Social-Democratic activists did not have to feel like outcasts who had nothing to lose but their chains. As a result, they soon stopped propagandizing in favor of militant class struggle, and began to advocate reconciliation rather than divisiveness, inclusion as partners instead of antagonistic exclusion.

But someone who is reconciled, integrated, and pacified can hardly be expected to mount the barricades swinging a red banner and loudly proclaiming his rage. And he doesn't do that. He preaches moderation, not conflict. He seeks accommodation and avoids polarization. Basically, that has become the deepest concern and goal of the party: to change things in such a way that there would no longer be any reason for the lower classes to feel outrage, bitterness, and agitation. As that goal came ever closer to fulfillment in the 1960s and 1970s, social democracy changed. Its flame started to die down, because flammable material – social exclusion and political ostracism that had been personally experienced – was hard to find anymore thanks to August Bebel and Willy Brandt. The soil that bore the fruit of collective solidarity had lost its fertility.

It was especially in the 1970s, the supposed »red decade«, that many things came to an end, not least the proud history of the *old-style* social democracy of the factory era. Places that for over 100 years had been both centers of economic progress and simultaneously bastions of social democracy became social backwaters inhabited by people who have been left behind or had dropped out. Some firms that enjoyed a rich tradition in Germany's century-long industrial history disappeared from the radar screen. In the process entire categories of work and the teams that performed it simply evaporated. The »quintessential worker« visually apotheosized by socialist iconography – the athletic, muscular industrial worker with a reliably union-based, socialist outlook – exited stage right, at first gradually, but still inexorably. The working class split in two. On one side were the winners who knew how to take advantage of the educational reforms that Social Democrats had pushed through to enhance their opportunities for social mobility. On the other side were the new losers, who had either not been involved in these educational efforts, or else had tried them and failed. If one considers typical individual biographies, the socially mobile winners moved on, leaving behind the failed losers in the old working-class boroughs. Their departure drained the workers' quarters of political sensibility and organizational support. What remained in these once homogeneous working-class boroughs was apathy rather than the self-confidence and sense of belonging that workers used to display so ostentatiously. The class basis of socialism, built on manual labor, started to fall apart, as some moved up while others were headed down.

From coal dust to transparencies

At first Social Democrats were in denial about how much they had changed in the course of these processes. At bottom they were no longer the party of organized industrial labor which, for over 100 years, had been a class entrusted with a historic mission: to act as the »subject« of emancipation and liberation. Once social democrats could no longer fulfill that mission and could not foresee the direction the future would take, the movement's optimism waned and an element of misanthropy crept into the party. The core clientele of the SPD no longer consisted of coal miners, bricklayers, and printers. The party's heartbeat was no longer in the Ruhr, or in the ports and on the docks. The organization no longer smelled of coal dust and machine grease; rather, it had the odor of the office, the classroom, and the transparency sheets used in overhead projectors. Social democrats had evolved into parties of the civil service, not just in Germany, but from Oslo to Paris, from London to Berlin. Then in the first decade of this century, when reasons for anger recurred, the Social Democrats could no longer be the tribunes of outraged emotions and insurrectionary actions, because they were not included among the first victims of neo-capitalism's rigors. As parties of government they were co-conspirators in enacting or tolerating new social inequalities. Social democratic actors were not comfortable with this role reversal that had come about because of their successful self-emancipation. For years, then, they refused to acknowledge the transformation that their party had undergone. During electoral campaigns they especially enjoyed assuming the mantle of tribunes of the disenfranchised once again, although of course in their capacity as governing parties they acted quite differently, thereby evoking disillusionment on the part of the members of the »new bottom« after each election cycle.

In the meantime social democracy has completed its sociological and ideological transformation, although as usual it has done so with inhibitions and accompanied by sentimental backward glances. For example, following New Labour's defeat in 2011, there emerged a new and initially well-regarded political movement called »Blue Labour.« The goal of its adherents was to reactivate the »family history« of the Labour Party, abandoned during Tony Blair's tenure, as a part of the labor movement with its own culture, stable affiliation, communal ties, and a cooperatively organized infrastructure to provide for members' needs. Blue Labour attacked Blair, Peter Mandelson, and Gordon Brown for kowtowing before global capitalism, and put its hopes in the language, identity, and home of the little people. According to John Rutherford, the most influential idea man for Blue Labour aside from Maurice Glasman, the Labour Party »should be the creator of meaning for people, the communal poet, capable of transmuting the shared values of everyday life into new forms of life.« But at the same time Glasman was criticizing the labor unions vehemently for representing the interests even of unskilled, »sloppy« workers. And he pleaded for jobs that only British citizens, not immigrants, would have a right to hold.

Renewal will not come from youth

Social democrats in search of guidelines for the second decade of the 21st century should eschew romantic visions of the workers' culture of the 19th century as well as left-wing populist ideas of national protectionism. Neither alternative is realistic or even desirable. In 2013 the Social Democratic party can no longer play the »old SPD«. In respect to its social composition, programs, and personnel, the party has changed too much and endured too much pain to make an about-face. The transmogrified SPD is now a moderate, left-liberal, fairly cosmopolitan party of the moderate, half-leftist middle of German society. The party has become the political agent of well-integrated workers as well as retirees and pensioners. The SPD is not able or even willing to embrace a robustly anti-capitalist strategy or to wage a hardnosed battle against the bourgeois elites of globalization, even though that would be vastly more meaningful than petit bourgeois rhetoric about taxing the rich. And in light of its current demographics, it should not pretend that it can play the anti-capitalist card again whenever it feels the need.

After all, nearly half of all SPD voters in Germany are not gainfully employed. That contrasts starkly with the demographic profile of libertarian-ecological parties, in which almost four-fifths of voters are actively working. The Social-Democratic catch-all party of earlier days seems unable to renew itself by attracting new supporters from successor generations. What sort of a prospectus could social democrats offer to new cohorts confronting new situations and facing novel problems in unprecedented conflict zones? Social Democrats don't know. What is worse, one gets the impression that – at least in this country – no one bothers to think seriously about it. ■

Gonzalo Martner

Beyond Pragmatism but not quite to Utopia: Global Dilemmas and Chilean Socialism

Long a major player in Chilean politics, socialism was finally recognized as a legitimate governing power in 1990 in the aftermath of a protracted struggle. Yet since then it has started to lose its way – and its moorings in Chilean society. Our author, himself a key figure in Latin American political debates, analyzes the causes and history of this loss of identity. He also wonders about socialism's future against the backdrop of a civil society that is getting increasingly radicalized.

The 19th-century utopian vision of universal human emancipation, to be achieved through the proletariat's seizure of power, proved to be a dubious political project once it was put into practice. In some of the world's peripheral regions it led to dictatorship accompanied by extreme state centralization. The social-democratic alternative (in the words of former German economics minister, Karl Schiller: »as much market as possible, as much state as necessary«) had the merit of reinforcing the priority of democracy and paving the way for the 20th-century welfare state in the industrialized world and even in some countries of the global periphery. But the 1970s marked the beginning of an evolution in the West toward post-industrial society.

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Economic and social policies went their separate ways, a divorce that became evident in a variety of phenomena: market liberalization, the opening of markets to foreign competitors; the economic dynamism of East Asia's emerging nations; the shift of manufacturing to low-wage countries, and the growing dominance of the financial sector in the wider capitalist economy. Conjoined with accelerated technological change, the divorce of economic and social policy shredded a variety of postwar social welfare agreements in the interest of greater economic competitiveness. The emerging nations, especially China, posed a stiff challenge to the balance of social and economic policy struck during the postwar era because of their low-wage economies and barebones social and environmental regulations. In this respect they undermined the foundations of the social consensus that had shaped the postwar epoch for many years.

These trends signaled the beginning of novel experiments in neo-liberal economic hegemony under Pinochet in Chile, Thatcher in Great Britain and Reagan in the United States. Led by the British New Labour PM Tony Blair, even some elements of the socialist and social-democratic mainstream moved toward a critique of the welfare state and a strategy of adapting to the globalized economy. Following the logic of individual autonomy and labor flexibility, Blair stressed the formation of human capital, rejected corporatist social arrangements, and abandoned industrial policy as well as rigorous social standards. There were some clear losers as a result of the neo-liberal wave. The positions of wage earners, unskilled workers, young people, and women (who were just then entering the work force in great numbers) grew more precarious. At the same time there was a retreat from redistributive policies, coupled with measures to favor income from capital assets; indeed in some cases there was a rollback of the welfare state in the face of powerful demographic and familial transformations. Nevertheless, the »Nordic model« stands out amid this general retreat for having carried out reforms capable of shoring up the financial and economic foundations of the welfare state. In the midst of global turbulence, the Scandinavian countries along with a few other European nations have managed to maintain stable economies while retaining the highest redistributive capabilities in the contemporary world.

At the beginning of the 21st century, after the phases of military dictatorship and the neo-liberal wave had passed, an unprecedented number of progressive, democratic governments came to power in Latin America. Though they differed in leadership style – some were populist and personalist – they managed partially to reverse the growing inequities in the distribution of wealth as well as the privatization of natural resources. Those policies enabled much of the Latin American continent to weather the current global economic crisis in better shape than it had been at any other time in its history after undergoing similar economic downturns. They also enabled the continent's countries to benefit from more rapid economic growth and, in some cases, from greater equality as well.

In effect, the liberalization of financial markets in the United States created the conditions for the outbreak of the global financial crisis of 2007/2008, the worst since 1929, which in turn served to delegitimize the idea that markets could be self-regulating. The crisis also created conditions that made it easier to rethink and reinvigorate the social-democratic alternative. The latter could be understood as a scheme for rearranging the relationships among the democratic state, civil society, and regulated markets on the local, national, and global scale so as to establish a rational and more truly egalitarian, ecologically sound social system, as measured against the harshness of globalized capitalism. Accordingly, the principles of a renewed social democracy would include: defending diversity, promoting equality of opportunity in some settings and equality of outcome in others, while also casting doubt on the benefits of short-term gains in productivity. These commitments presuppose a new agreement between organized labor and a variety of social movements, all of which will have to defend not only their respective ways of life, but also new models of production and consumption, as well as gender equality. They will have to fight discrimination against women, ethnic groups, and sexual minorities, as well as xenophobia. The objective of all these battles will be to broaden the conception of a good life *(bien vivir)* so that it means something more than performing subsistence labor and stultifying routines. A good life must offer room for human self-realization, the value of the natural environment, cultural rootedness, and openness to other cultures. None of this will be achievable without greater emphasis on global and regional cooperation. However, we should never forget that these processes of change must first take root at the local and nation-state levels, where they will be modified in light of the unique history and circumstances of each locale.

What became of Chilean socialism?

Contemporary Chilean socialism is a political force that emerged in the context of the crisis of the 1930s. In an earlier age, the »society of equality«, founded in 1850 by Santiago Arcos and Francisco Bilbao, anticipated some of the themes of socialism. The same can be said for cooperative associations and »societies of resistance« and, later still, for nascent labor unions and parties of the left, symbolized by the figure of Luis Emilio Recabarren (1876-1924), one of the founders of Chile's labor movement.

Socialism in Chile emerged both to combat the country's traditional oligarchic order and to offer a libertarian alternative to Stalinism. After helping to govern Chile in the years between 1939 and 1941 as participants in the Popular Front, socialists briefly joined the government of Carlos Ibáñez in 1952, ignoring the advice of Salvador Allende. The latter, the historic leader of Chilean socialism in the 20th century, eventually led a broad coalition of the left from 1958 on. He played a leading role in supporting industrialization policies, nationalizing the copper industry, and promoting agrarian reform, all of which defined socialism's political agenda during the second half of the 20th century. Chilean socialism did not take its cues from the Soviet model, although the latter did become one of its stronger influences after 1973. The socialist party program of 1947 expressed doubts about Soviet-style communism in much the same vein that one of its leaders, Eugenio Gonzáles, did a few years later, in 1953:

»Violent means applied by the state, and certainly violence raised to the level of an entire system, are incompatible with the essence of socialism…In light of its objectives, which envision a radical change in the structure of capitalist society, socialism is revolutionary, but it cannot be dictatorial in its methods…Socialism can only attain its goals by using democratic means; otherwise, the goals themselves will be distorted. The idea is not to put the state in charge of the economy but rather to socialize – i.e., humanize – the economy.«

In a speech he delivered in front of the Congreso de la República in 1971, Allende too emphasized the constraints on socialist transformation: »We know that changing the capitalist system while respecting legality, institutions, and political liberty requires us to keep our economic, social, and political actions within certain limits.« The transformation inaugurated by Allende in 1973 was tragically interrupted by a military coup d'état. Thereafter General Pinochet's violence-plagued, 17-year dictatorship imposed an economic model based on radical free-market ideology that restored the power of the ruling oligarchy and partially denied Chile's citizens the powers of popular sovereignty.

In 1973 socialism in Chile fell apart, as one of its wings went into exile in the German Democratic Republic and allied itself with the Soviet bloc. Only after the fall of the Berlin Wall in 1989 did the fragmented elements of the party reunite, redeeming and renovating the banners of democratic socialism, including the messages of liberty and unwavering respect for human rights. Following those principles it joined the so-called government of *concertación* (»coalition of pro-democracy parties«) consisting of Christian Democrats, Social Democrats, and Socialists. Socialism thus once again became a party of government between 1990 and 2010, now as part of a majority coalition of the center-left. Between 2000 and 2010 two of its members held the office of President of the Republic, Ricardo Lagos and Michelle Bachelet. But in the wake of socialism's defeat in 2010, its record of accomplishments and shortcomings, as well as its future prospects, remain controversial.

Almost by definition it is tricky to reconcile a political program that pledges a transition to democracy with the actual practice of governance, especially when the party leading the transition is part of a broad coalition representing contradictory interests. The coalition was able to claim credit for impressive achievements in economic growth, but was less successful in substantially reducing inequality or in protecting natural resources and the environment. Ultimately, it was able to redeem only a portion of the hopes for freedom and equality embodied in Chilean socialism. As a political force the latter achieved governmental legitimacy after 1990, but at the same time it began to lose its traditional rootedness in society as well as its ability to propose solutions to and measures against inequality. In effect, socialism suffered a loss of identity, making one-sided alliances with centrist parties and pragmatically sacrificing central features of its own program, including any frontal attack on inequality, as the price of access to political power.

By contrast, civil society, especially the younger generation, has advanced more radical demands for a democracy able and willing to provide essential public goods. But at the same time civil society has enhanced its ability to mobilize its own supporters without outside assistance. This recent evolution has thrust the traditional party-oriented version of socialism into crisis, causing a series of splits in the movement. Only the future will tell whether Chilean socialism will be able to regain its transformational power. For that to happen, the movement would have to craft a set of alliances consistent with the programmatic aspirations of today's society. Those include the recovery by the state of its former property rights in natural resources and the associated rents; investment in productive development and social security; collective bargaining and the right to strike; the advancement of rights that ought to be universal such as free public education, a high-quality public health system, gender equality, the right to abortion, recognition of the rights of indigenous peoples, same-sex marriage, environmental protection, and support for local development as an alternative to further social segregation in urban areas. It will not be possible to fulfill these programmatic aspirations without rebuilding institutions and drafting a new constitution that would fully embody the principle of popular sovereignty and Chilean civic culture as it exists in the beginning of the 21st century. ■

Thomas Meyer

Intermezzo: Master and Servant

The »Strange Non-death of Neo-liberalism« (to cite the title of a new book by Colin Crouch) merits a more thorough debate than we have given it so far. One gets the impression that actors on both sides of the great line of demarcation between the political camps are afraid to engage with one another. The »markets first« fans may think it ill-advised to lay their cards on the table so openly, while their political critics may fear that they would not be able to carry through their plan to let democracy trump economic constraints and globalization. Consequently, after the violent moral tempest of recent days has blown over, things in the financial markets have stayed pretty much as they were. There is an aura of virtual reality that surrounds »the critique of capitalism,« a tone that oscillates between half-heartedness and mere play-acting. This observation is especially true of apparently leftist attacks on the culture and spirit of capitalism such as those suddenly launched by the heroes of bourgeois feature pages like Frank Schirrmacher of the *Frankurter Allgemeine Zeitung.* Schirrmacher is the chief editor and intellectual star of the culture section of the conservative *FAZ,* a newspaper with an economics page that has long been at the cutting edge of neo-liberalism in Germany.

From the very beginning the kind of critique these authors present seems inhibited by their evident wish to exclude from the sphere of debate the underlying economic dimensions of the cultural defects of capitalism that they have found so offensive. They seem particularly reluctant to shine a light on the powers that sustain capitalism or the politicians that stand behind it; those matters remain obscure – and are supposed to stay that way. They would much rather talk about attitudes

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and algorithms than about interests and actors.

So is there any truth to the objection that all the criticism we have been hearing from the media since 2008 has served no other purpose than to re-immunize the capitalist system against its own foibles? Is it fair to say that such immunization works best when moral outrage reaches a pitch that matches the extent of the real crisis of the system – but only so that nothing really changes once passions have cooled?

In all these debates there are two things in particular that have remained almost entirely unarticulated. The first is the neo-liberal presumption that the common good is best served when markets hold sway over democracy. Neo-liberals argue that the logic of prices is incorruptible; likewise, they see individual contracts entered into by market participants as the purest expression of freedom of choice. By contrast, they add, the logic of democracy rests on coercion and leads us into a morass of perpetual elections, which are always associated with campaign »donations.« The end result is economic irrationalism, intolerable accumulation of debt, and incentives that perversely influence the behavior of most citizens. In the final analysis it always turns out to be the high performers, the creators of wealth, who have to pay the bills. For all these reasons – so continues the tacit assumption – it would be a serious mistake to entrust the core of the economy to the inevitably arbitrary whims and greediness of fickle democratic moods. Some would say that Greece's current woes amount to an ongoing experiment providing living proof that the neo-liberals are right. However, one rarely finds these ideas expressed forthrightly in neo-liberal literature, except perhaps when their advocates are talking about open global markets and their effect on unconsolidated democracies. For the most part they prefer to conceal their real opinions behind praise of the salubrious impact of ratings agencies and the »voice« of the markets. German Chancellor Angela Merkel is one of the few who let the cat out of the bag, with a disarming flutter of her eyelids one might add, when she chose »market-conforming democracy« as her battle cry. The market is cast as the master with democracy as its servant. It is not likely that she will grant us another such glance into the depths of a neo-liberal mind anytime soon. Of course, classical liberalism already foreshadowed the technique of principled self-immunization against real-world experiences that is imbedded in the dogmas of neo-liberalism. From the Economist Friedrich Hayek to the CDU Charter one finds the same unshakeable norms. The market is regarded not only as the best means for coordinating economic decisions – a kind of harmony machine on autopilot – but also as the »constitution of liberty« just like Germany's Basic Law itself. In this sense the market is treated not simply as a means to an end, but as an end in itself, with a status at least on a par with democracy, as the Chancellor's words clearly indicate. Looked at in this light, Merkel's statement is not outrageous; it is just logical. Even if economic crises become truly grave, destroying the lives, livelihoods, and prospects of countless people, the market *qua* constitution of liberty can never fail.

Yet there is also something left unsaid in the left-wing critique. It is the presumed Mephistophelean knowledge of an unfair bargain: »It's a rule among ghosts and devils. They have to go out the way they came in. Going in, we're masters. Going out, we're servants.« Or, to put it in prose, anyone who says »market« also has to say »crisis.« The tacit sense of resignation behind this knowledge has a definite historical origin. Once the planned economy turned out to be the constitution of unfreedom, we chose the market, and now we are its servants in many situations. There is a grain of truth in this. The market is superior in coordinating actions in decentralized settings and affords the broadest leeway for all the actors involved in it – entrepreneurs, employees, labor unions, civil societies, and the state – to act as they see fit. But once you have conceded the market's mastery, then you have ruled out the possibility of once again directing the entire economy and society toward precisely defined goals from some central point, even if the need should arise.

But Mephistopheles' words are too sweeping for the case before us. They overlook the fact that the market is nothing but a social construction with thousands of adjustment screws and numerous actors. The principle has to be clearly articulated: markets may well be bad masters, but under the right circumstances they can be good servants. Once that much is established, the door is open for value-oriented, democratic pragmatism. It now becomes possible to create frameworks, draw boundaries, intervene in markets and change the rules of the game, perform oversight, and redistribute the power of the actors, all with an eye to making sure that markets provide the benefits that the community expects them to. It is never easy to specify the exact boundary lines between the realm of mastery and that of servitude, and in any case those lines are constantly shifting. Still, the principal deficiencies in finance capitalism are obvious today, as are the remedies for them. Thus, it is not so difficult to see the direction we must travel over the long run in order to recover the power of democratic control over the economy. The crucial adjustment screws have already been located, and we know that we must extend the limits of regulatory authority to match the reach and power of markets themselves. The courage must be found to say without trepidation what needs to be done to re-imbed markets, even far beyond the borders of the nation-state. That insight itself becomes a crucial productive force that expands democracy's room for maneuver and increases the pressure on markets to act in the public interest. Of course, even if grand catastrophes become less likely to happen in the future, there will always be a need for course corrections at the micro level. But we can live with that as long as the social welfare state remains intact. Nevertheless, if things are really, seriously going to change, the deficiencies of markets and the instruments required to repair them must always be clearly identified and named, rather than being obfuscated by mock attacks on the spirit of capitalism and the »system.« ■

Alfred Pfaller

The Euro Crisis: When Economies Grow Beyond their Means

The European countries now mired in crisis have been following a wrongheaded model of growth for some time, one associated with exuberant, irrational optimism. That model appears to have reached the end of its tether. Our author analyzes the true causes of the crisis, pleading for a different »business model,« while appealing to European solidarity. Finance capital definitely has an interest in the contraction or dissolution of the monetary union, and that is something Europe should resist.

In the wake of the global financial and economic crisis that erupted in 2008, the budget deficits of several Southern and Eastern European nations grew to such alarming levels that drastic countermeasures came to be regarded as inevitable. Private investors demanded high interest premiums for new loans, which dramatically accelerated the dynamic of indebtedness. International agencies such as the IMF and the EU were willing to help, but in return they insisted that deficits should be trimmed, primarily by significant cuts in government spending. The austerity policies imposed by these lenders have been stoutly resisted by the affected populations, and have even been criticized by some economists as counterproductive. But there is no painless alternative on the horizon.

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The current crisis on Europe's periphery, which has gripped Cyprus and may affect other countries as well, is something more than an especially deep trough in the business cycle. Relying on traditional economic remedies alone, it will not be possible to induce a boom powerful enough to end the crisis and produce the tax revenues needed to fill government coffers. Instead, one model of economic growth likely has reached the end of its tether. On this model, growth depended primarily on the production of goods and services for the domestic market (»non-tradables«), and was fueled mainly by the construction economy. Income growth, stoked by the non-tradables boom, caused demand for imports to expand at a much faster clip than exports were increasing. All this was driven principally by foreign capital, which speculated on rising real estate values and hoped to profit from the resulting growth in domestic demand for the goods that define a modern standard of living. Banks earned money by lending to consumers, a practice that further sparked demand and reinforced the perception that an economic miracle was underway.

Economic growth spurred on by easy credit thus offered many citizens of the countries on Europe's periphery a standard of consumption unwarranted by the performance of their economies in competitive markets. At the same time it provided state bureaucracies with the opportunity to spend far beyond their means, although not all of them seized that opportunity. For example, the Spanish state conducted its budgetary affairs responsibly until the crisis eroded its finances along with those of the banks, which the government (rightly or wrongly) then felt compelled to bail out to avert their complete collapse. In Greece things were different. There, easy credit put the seal of approval on economic mismanagement and favoritism by the state.

The true foundation of this economic model was an exuberant, irrational optimism attuned to short-term expectations (which reality always seemed to fulfill) and inclined to dismiss any skepticism about long-term prospects. When this optimism yielded to a more sober assessment of economic circumstances, the breakneck growth to which it had given rise came to an end. And the hangover from its demise has been so painful that it is hard to imagine any renewed boom in real estate, construction, and credit in the crisis countries.

If the economies of these beleaguered nations are ever to start growing again, a different foundation will have to be found, a new »business model« as it were. Future growth will have to build on the capacity to earn increasing sales revenues in internationally competitive markets. For that to happen, a comprehensive and persistent national initiative will be needed to create the conditions for sustainable market success. Such an initiative would operate on several levels: It would bring about changes in entrepreneurial behavior, systematic improvements in the knowledge base crucial to production, the financing of projects that will pay off only in the long run, as well as reliable support for productive business initiatives, and perhaps also for physical infrastructure – that favored child of European development aid.

This sort of comprehensive, sustained development initiative would be desirable and well worth supporting. But in the countries currently affected by the crisis it is not likely that anything of the kind would be implemented. At least in some of them it would signify a radical departure from a political culture that has been entrenched for decades, one that in many ways discourages economic efficiency and instead accords a privileged status to nepotism and crony networks.

Moreover, economic stimulus understood simply as a means of inducing the boom phase of the business cycle is unlikely to achieve much until a new course has been set that will point the economy toward a different, competitiveness-based model of growth. That realization also suggests skepticism about the effectiveness of anti-cyclical budget reorganizations that postpone spending cuts until such time as the economy starts to grow again. Thus, the crisis-ridden countries of Europe now find themselves back in a situation that matches closely the »true« state of their economic performance. Like hallucinating drug users, they had long been able to avoid facing up to their true plight thanks to the »non-tradables« boom, which – however crazy from the standpoint of the real economy – was continually stoked by financial speculators. These countries need to make the transition to a different model of growth quickly; otherwise they will have to get used to a harsh new reality that will ultimately entail a markedly lower standard of living for most of their populations. Government budgets, too, would have to adjust to a reduced revenue stream.

European Self-Interest …

The European Union and, more broadly, the »international community« felt compelled to step in and help with low-interest loans because they could foresee the onset of another devastating financial and economic crisis should the deficit-plagued countries become unable to service their debts. In that case – this was and is the concern – big banks might be drawn into the maelstrom, and that would be a threat to the functioning of the entire European and international financial systems, just as it had been in the great crisis of 2008-09. Even if it were possible to cope with the insolvency of a small country like Greece, the worry persisted that the panic which would subsequently grip the markets might jeopardize other, far larger countries. There was a consensus among nearly all responsible parties and observers that such a thing had to be avoided at all costs, even though there was – and still is – much less agreement about how to avoid it. In short, the main goal was not so much to save this or that country or even to shore up the euro, but rather to prevent a systemic collapse that would drag all Europe down with it.

And yet – contrary to a widely accepted fiction – the euro would not have to take the fall even if budgetary reorganizations failed to meet their objectives. One has to distinguish between the acceptance of a currency and the creditworthiness of the individual debtors who make use of that currency. A currency becomes unattractive for investors when major debtors in a given currency zone (and governments would surely be included among these) lose their creditworthiness and when people begin to suspect that the currency itself might be devalued.

If the crisis countries had had their own currencies, these would surely have come under powerful devaluation pressure, reinforced by speculation. Once the non-tradables bubble burst, investors – who of course helped to create the bubble – naturally have sought to feather their own nests as much as they could. But in the euro zone there are plenty of ways to feather a nest, so there was never any large-scale flight from the currency, but rather a reshuffling inside the euro zone. Borrowers in the zone with unimpeachable creditworthiness (such as Germany) are in demand like never before. To imagine a parallel case, if New York City should ever go bankrupt, that would not be a sound reason for a run on the dollar.

In other words, the continued existence of the monetary union is in no way jeopardized by capital's quest for security. However, finance capital has a latent (and at times even manifest) interest in shrinking or even dissolving the monetary union. Such an event would reopen the »casino« that had been closed by the adoption of the European Monetary Union. Europe cannot have an interest in anything of the sort. Newly rekindled currency speculation would threaten to become a permanent disruptive factor constantly soaking up energy in economic policymaking and distracting attention from the real task, which is to enhance the welfare of society as a whole.

… and European solidarity

So far solidarity with Cyprus, Ireland, Portugal, etc. has not been a top priority in Europe's dealings with the »euro crisis.« Instead, the current strategy has been to shift – in a really brutal manner – the costs of crisis management onto the people who live in the debt-ridden nations. The »no bailout« clause incorporated into the treaty establishing the European Monetary Union has been applied to the populations of those countries in full measure. Yet there is a more solidarity-based way of handling the crisis, which after all affects not just specific European states, but the whole global financial system. And we should not forget that the latter played a major role in precipitating the crisis in the first place.

The key term here is growth – growth based on competitiveness. And the European Union can do much to stimulate it. In rough outline, the pattern to be followed would look like this: the EU would conclude »development agreements« with the crisis countries that would tie course corrections in economic policy (in respect to incentives and the allocation of public resources) to European investments in infrastructure projects relevant to development (keyword, »Marshall Plan«).

This would be a project with a long time-horizon. However, growth-optimizing European investments immediately would begin to counteract the process of economic shrinkage that was triggered by the collapse of the non-tradables boom as well as the austerity policies imposed in the service of budget reorganization. In this way one would not have to postpone the reductions in national budget deficits. On the contrary, infrastructure investments made by European institutions would stimulate an economic upswing that would relieve the pressure on national budgets. The crisis of indebtedness thus would be addressed sooner rather than later. But instead of trimming revenue and expenditures to fit what these countries can currently afford, the favored political strategy would be to make every effort to improve their economic performance, thereby expanding the framework within which revenue and expenditure decisions are reached. The exit route from the cul-de-sac of an economy based on non-tradables would not simply involve a return to more modest circumstances; rather, it would blaze a new, better path to greater welfare.

Real solidarity would amount to this: The prosperity of all Europeans must be given institutional form as a shared obligation, not as a verbal declaration. Also, one has to take a different view of the misfortune that has afflicted parts of Europe's periphery as an unavoidable result of the collapse of the non-tradables boom. It is actually a misfortune shared by Europe as a whole. If things are left to continue as they are for »pragmatic« reasons and we abandon the idea that there ought to be a more or less uniform level of development all across Europe, then we can expect increasing migration of Southern- and Eastern-European labor into Europe's growth zones. Of course, no one wants that, but no one will be able to stop it. ■

Sergio Grassi

China and Africa, the »Growth Continent«

Nowadays Africa is portrayed by the media less as a crisis continent than as a region ripe for economic growth. Cooperation with China is usually seen as the driving force behind this trend. Raw materials purchases by the People's Republic as well as its countless infrastructure projects have attracted most of the international attention. But from the Chinese point of view the main issue is not so much securing raw materials as it is the opening-up of new outlets for its products. The question of whether China's expansion in Africa is advantageous for the continent's development has occasioned lively debates both there and in the West.

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The International Monetary Fund is forecasting steady growth, averaging about 5 %, in Africa this year. In this respect the one-time crisis continent now ranks among the world's most robust growth areas. Given Africa's rosy prospects, economic analysts from the consulting firm McKinsey are now talking about »lion countries« that can hold their own with the tiger nations of Asia. In addition to this rapid growth, the formation of an African middle class, which already numbers some 150 million people, has been cited as one of the strongest indicators of African progress. The African Development Bank (AfDB) notes in a recent report that the continent is experiencing its most dynamic period of growth. Until now, however, that dynamism has relied mostly on the extraction and sale of raw materials. Profits have been pocketed by a tiny elite and have created too few jobs to free great swaths of the population from poverty. The AfDB report observes that »inclusive development« in Africa would have to lead to more jobs. The authors add that the sector with the greatest potential for development and reform is agriculture, which employs 60 % of the population and generates 30 % of the continent's gross domestic product. Africa's economy is growing; but there is still controversy about whether growth will be accompanied by structural transformations in the economy, especially industrialization and the creation of enough new jobs.

Is China really the engine of growth and a boon to Africa?

Controversy also swirls around China's role in the development of the African continent. By now the People's Republic has become Africa's largest trading partner and investor, so it is inevitably an important player there. Nevertheless, in the West critics have consistently charged that China is interested only in securing African raw materials for its own economy and has little interest in the region's development. Yet the European accounting firm KPMG calls heightened cooperation between China and Africa one of the main motive forces behind the growth spurt we are currently witnessing. In the opinion of the Zambia-born American economist Dambisa Moyo, China's purchases of raw materials in Africa have stimulated trade, investment, and rapid growth. At the same time Chinese investments are improving the lives of Africans. Similarly, the Kenyan political commentator James Shikwati stresses that China's deeper engagement has brought new dynamism into Africa, thereby sparking competition among international donors and investors. In this respect China represents a genuine alternative to Western development aid. The latter, he claims, has achieved very little, while corrupting African governments and forcing the continent's countries into long-term dependency. Furthermore, he charges, development aid frequently serves to put a more attractive face on the West's geopolitical and business interests than is warranted. By contrast, as Moyo and Shikwati see it, the Chinese mostly just want to make business deals; they display little missionary zeal to transplant their own system to the African continent. Shikwati writes that China's direct approach has helped to unmask the whole fiasco of Western development aid. But is it really the case that China's expansion has had such positive consequences for Africa's economies and societies? And what are the driving forces behind that expansion?

Between ideological and economic interests

Although hardly anyone in the West still thinks that Chinese foreign policy takes its cues from communist ideas, the latter continue to be cited by Party officials – especially for internal consumption – as the starting point for defining China's external relations. Thus, China's engagement in Africa is justified by the Party leadership to the rank-and-file members as a contribution to the struggle against imperialism and hegemonism. To reinforce that argument, officials point to China's support for various African independence movements during the Sixties and Seventies, when China itself was still a poor, underdeveloped country. At the same time, they emphasize what else Africa and China allegedly have in common: a shared history of colonization by the West's great powers. The construction of agrarian research institutes, intensive collaboration in the area of food security, and support for Africa's health-care systems all reflect a tradition of historically evolved and ideologically justified cooperation. China's leaders vehemently reject Western charges that its policies are neo-colonial. Moreover, they characterize Western development aid as the prolongation of previous colonial relationships under a new guise.

Whereas China's interests under Mao Zedong in the Sixties and Seventies were shaped by the country's ideological competition with the Soviet Union, today it is mainly commercial interests that set the tone, despite all the internal ideological legitimation and political rhetoric vis-à-vis the outside world. The opening salvo of China's economic expansion was the national »Go Global Strategy« proclaimed by the leadership at the end of the 1990s as a way to secure strategic stocks of raw materials and establish joint business ventures in foreign countries. But in addition, the many millions of potential African consumers were seen as presenting an opportunity for China to market its own products.

Accordingly, trade with Africa between 2000 and 2012 burgeoned from US $ 10 billion to around $ 200 billion. Last year African exports to China amounted to $ 117 billion. Meanwhile, China has become the largest market for African goods, although most of these consist of petroleum and other raw materials. It is especially crucial to focus on Angola in this regard, since it supplies almost two-thirds of the crude oil that China imports from Africa. China's share of total African trade over the past ten years has grown from

3 % to a bit more than 20 %. While many American and European companies were withdrawing money from Africa even before – and certainly during – the outbreak of the financial crisis, Chinese state-owned and private firms took advantage of falling prices to make bargain purchases. In this effort they were supported by the Chinese leadership, which made a portion of its vast currency reserves available under the aegis of the »Go Global Strategy.« However, so far two-thirds of all Chinese investments have been allocated to just nine countries: Nigeria, South Africa, Zambia, Ethiopia, Tanzania, Congo, Angola, Sudan, and Kenya.

In addition to its economic relationships, China is also active in Africa as a provider of development aid. It is estimated that the Chinese have already spent some $ 75 billion on aid, distributed among the fifty countries with which the People's Republic maintains diplomatic relations. Chinese sources also note that the country gave a total of $ 10 billion in soft credits – i.e., those that include some outright grants – to sub-Saharan countries between 2009 and 2012. By way of comparison, during the same period the World Bank offered only $ 4.5 billion a year. Moreover, China also provides another category of multi-year credits on a far grander scale, mainly via the state-owned Import-Export Bank: those that are secured by natural resources. For example, Angola borrowed $ 14.5 billion, Ghana $ 13 billion, Nigeria $ 8.5 billion, the Democratic Republic of the Congo $ 6.5 billion, and Ethiopia $ 3 billion for infrastructure projects, all of which were carried out by Chinese construction companies.

Created as a means of supporting China's »Go Global Strategy,« the »Forum on China-Africa Cooperation« (FOCAC) takes place every three years and serves as a framework for China's policy toward Africa. But FOCAC operates simultaneously as an ideological platform for China's African narrative. »Cooperation on a level playing field«; »win-win«; and »developing together« are some of the principles endorsed by the Chinese side. At the last FOCAC summit in 2012, then-President of China Hu Jintao promised to double his country's financial commitments in comparison with the previous three-year period and to provide soft credits for infrastructure in the amount of $ 20 billion. It is certainly true that development in many African countries continues to be hamstrung by weak infrastructure, in addition to the effects of wars, crises, and diseases. While for many Western donors infrastructure improvement has played second fiddle to other priorities, China – represented by its construction firms – has assumed the leading role in this field during the past few years. State control over the awarding of credits helps explain why China enjoys such an advantage over its Western competitors in infrastructure development. In many African countries Chinese construction companies are already among the most successful bidders in competitions for public projects such as roads, bridges, airports, ports, and rail lines. Chinese firms have lower labor costs and face less stringent labor standards. That advantage, plus the experience they have accumulated over the past decades, frequently enables them build projects more cheaply than their Western and African competitors could. In addition, China often stipulates that a project can only go forward if its African partner gives the contracts to Chinese construction companies.

Another crucial factor in China's success is its declaration that it will not interfere in the internal politics of the countries with which it partners. This makes China attractive to African political elites that cannot expect much support from the West on account of their poor governance records. Thus, while Chinese infrastructure aid is not overtly tied to political conditions, it is frequently conditioned upon access to markets and raw materials. This kind of horse-trading, typical of China's involvement in Africa, is always characterized as a »win-win« situation by the Chinese side. Whether or not such transactions really do benefit both sides – and especially the people who live in the countries in question – can only be judged on a case-by-case basis. For example, even when the purpose of building a given road is to facilitate access to and removal of raw materials, the project will still benefit the public and the private economy. Nevertheless, many such construction projects actually involve prestige items such as ostentatious presidential palaces and oversized sports stadiums, which principally benefit the ruling elite.

Responses to increasing criticism by Africans

While the Chinese usually dismiss Western criticisms of their role on the continent as motivated by envy, they take African complaints seriously, since these undermine China's claim to cooperation on a level playing field. It is therefore interesting to see how Chinese decision-makers react to increasing African criticism. For example, at the last FOCAC summit meeting in Beijing, Jacob Zuma, the president of South Africa, demanded a change of course in China's African policy. Zuma urged that China focus less than it currently does on securing natural resources and more on shaping a development partnership that would be sustainable for both sides. He added that Africa had to be cautious in its partnerships with other states in light of its experiences with Europe. Other bones of contention include the displacement of local industry and trade by Chinese retailers as well as the inferior quality of the low-cost products they sell. Against this backdrop there is also increasing resistance on the part of the relevant African societies to further Chinese immigration. Conservative estimates suggest that a million Chinese are already living in Africa.

China's former president, Hu Jintao, did in fact promise at the summit that China would do more than simply expand its financial commitment to upgrading infrastructure. In particular, he pledged greater support for processing industries, agriculture, and medium-sized enterprises. Another trend in state-sponsored Africa policies has been the creation of special economic zones on the Chinese model. As early as 2011 it was announced that 59 such zones would be established in Africa. The special economic zones often become favored locations for Chinese production facilities. It is hard to avoid the suspicion that these modest changes in China's policies are ultimately a response to growing (African) criticism.

Moreover, investments in Africa are not limited to those sponsored by the state or state-owned Chinese firms. Indeed, the latter are now overshadowed by the investments made by a variety of entirely private or partly state-owned companies. According to a study issued by the World Bank, the private sector is already making some 55 % of all such investments. It is of crucial importance to the nature of China's future engagement in Africa whether this eclipse of state-sponsored by private initiatives continues or not. This is the case because large state-owned industries invest mainly in the extraction of raw materials and infrastructure improvements, whereas private enterprises prefer to invest in processing industries in such countries as Ethiopia, Nigeria, Zambia, Ghana, and Rwanda. In those countries Chinese private investment has created a lot of new jobs, because investors tend not to bring many Chinese workers with them. In other places joint ventures have been launched. To mention just one example, automobiles are now being produced in Kenya and Mozambique through an African-Chinese co-production arrangement.

In the spirit of China's overarching agenda of exercising soft power, Hu Jintao also promised, at the last FOCAC summit, that exchange and training programs would be expanded. African government representatives and officials will be able to enroll in training programs in China supported by scholarship funds. In this case, relations between the Chinese Communist Party and communist parties close to African governments play a significant role. Party cadres from South Africa, Zimbabwe, Ethiopia, Tanzania, and Namibia study at party schools run by the Chinese Communist Party. Furthermore, over 6000 African students were enrolled in Chinese universities last year. Meanwhile, China's state-run media have expanded their presence in Africa: The state news agency Xinhua now has more bureaus on that continent than any of its competitors. Early in 2012 China Central Television (CCTV) inaugurated a new Africa Broadcasting headquarters in Nairobi. Until now it has been difficult to discern the implications of this media- and soft power-offensive. Young Africans still seem to have better rapport with Western than with Chinese culture. So far China has not been able to offer any real alternative to hip-hop, Hollywood movies, and European soccer.

Over the last decade China has undoubtedly made a crucial contribution to jump-starting the engine of growth in many African nations. At the same time, China's stronger commitment to Africa has given the continent unparalleled cachet on the international scene. China's increased interest in the region has induced other countries such as India, Brazil, and Turkey to expand their own engagement in Africa. Consequently, quite a few observers suspect that the supposed »African take-off« is a byproduct of the rise of China and other upwardly mobile powers. The badly needed upgrading of African infrastructure by the Chinese state likely will have a major impact on the continent's development. At the same time China's Africa policy is exposing the weaknesses of Western development aid, which has not met this need for infrastructure improvement during the past decades.

Uncoordinated capitalist expansion hampers inclusive growth

Although China's approach has brought high growth rates, growth has not been inclusive. So far investments by Chinese state-owned companies have been rather unbalanced, concentrated mostly in the mining sector and on infrastructure projects, where they have created relatively few jobs and have actually widened the gap between income and wealth in many countries. There is some danger that asymmetric trade relations and unbalanced investments will cost Africa the opportunity to reform its economic structures permanently. This is especially the case in autocracies. Dambisa Moyo and James Shikwati lay most of the blame for economic mismanagement on local elites, since they were corrupt long before the Chinese expanded into Africa, and their irresponsibility was tolerated by international donors for decades. But they overlook the fact that these very Chinese investors, just like their Western predecessors, have deliberately exploited – and thus indirectly encouraged – the corruption of African elites. Thus, Chinese investors have gotten involved in countries like Sudan, Angola, and Zimbabwe not so much because they favor one type of regime over another, but in order to secure exclusive concessions with relative ease. China is not out to create a union of autocracies. It merely wants to cooperate with partners that best serve its own interests by offering access to resources, lucrative constructions projects, and marketing outlets. By contrast, ideology has come to play a somewhat subordinate role. Moyo and Shikwati are thus correct to say that China is not offering an alternative model of development; above all, it is putting itself forward as an alternative economic partner.

It is still too soon to draw conclusions about whether China's more robust engagement in Africa is having a positive impact on the economy there and especially on the living conditions of Africans themselves. However, it should be evident that there is no longer a unitary Africa policy coordinated from the center by the Chinese leadership, as there was in Mao's time. Rather, the Chinese presence and investments in Africa are defined by often competing actors from different spheres, including the Party, the government and military, the provinces, state-owned and private firms, as well as individuals. All are there to pursue their own interests or those of the organizations they represent, and these interests are primarily commercial. In light of this plurality of actors, it would be wrong, whether from the Chinese or the Western perspective, to continue interpreting China's policy in Africa as the expression of a single monolithic actor, whose role can be judged in unequivocal terms. Nevertheless, by now it is possible to generalize about the nature of China's engagement in Africa. Essentially, it is uncoordinated capitalist expansion. ■

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Publisher
J.H.W. Dietz Verlag and Successors, GmbH
Dreizehnmorgenweg 24
D-53175 Bonn
Tel: 0049 228 184877-0
Fax: 0049 228 234104
www.dietz-verlag.de

Released for the Friedrich Ebert Stiftung by
Sigmar Gabriel, Klaus Harpprecht, Jürgen Kocka, Thomas Meyer, Bascha Mika and Peter Struck (†)

Editorial Staff
Thomas Meyer (editor-in-chief and responsible), Lewis Hinchman (English language editor), Gunnar Hinck, Dirk Kohn, Klaus-Jürgen Scherer

Design Planning
tiff.any Ltd., Berlin

Typeset, Lithography, Printing, Production
Limberg Druck GmbH, Kaarst

To order individual copies contact
heidemarie.pankratz@dietz-verlag.de.

ISSN 2194-3095

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