

Department of History

**A victim of its own ideological failings? The case of the Social  
Democratic Party of Germany**

- Third Way, Neue Mitte and the downfall of the SPD: an analysis of the  
Agenda 2010 and its repercussion on the SPD and its present crisis -

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## **Abstract**

These days are witnessing tremendous changes within politics. Observers speak about the end of an era and refer to vast, tectonic shifts, within political systems. The case of the Social Democratic Party of Germany is a prime example of this. Between the years 1998 and 2017, the party has halved its vote share, respectively from 40.9 to 20.5 percent. Accordingly, this Masters Degree thesis aims to analyse the downfall of the SPD on the basis of the Agenda 2010 set of reforms. Correspondingly, the research question asks whether the party has become a victim of its own ideological failings by embarking on the reforms mentioned and the resulting neoliberal politics and policies. The methodology is of a hermeneutical manner within social sciences.

The thesis concludes that, by embarking on the Agenda 2010, the SPD became a de facto victim of its own ideological failings. Consequently, the reforms resulted in a crisis of credibility as well as in a loss of confidence for the party but especially its members and supporters. Caused by the fact that large portions of the party perceived the reforms as neoliberal and hence as provocation and as a clear challenge to traditional social democratic values. Resulting in a major divide between the party, its members and supporters, which subsequently emerged in the latest electoral results. By implementing the Agenda 2010, the SPD transformed from a traditional social democratic party towards a more market-oriented party, revealing a subsequent alienation between the party and its supporters.

**Keywords:** Social democracy, Political parties, Party research, Social Democratic Party of Germany, Agenda 2010, Third Way, Neue Mitte

## Resumo

Nestes dias testemunhamos mudanças tremendas dentro da política. Observadores falam sobre o fim de uma era e referem-se a grandes mudanças, até mesmo tectônicas, dentro dos sistemas políticos. O caso do Partido Social-Democrata da Alemanha é um excelente exemplo disso. Entre 1998 e 2017, o partido viu reduzida para a sua metade a participação nos votos, respectivamente de 40,9 para 20,5 por cento. A dissertação de mestrado objetiva analisar a queda do SPD com base no conjunto de reformas Agenda 2010. Correspondentemente, a questão em pesquisa inquirir se o partido se terá tornado uma vítima das falhas inerentes à sua mentalidade ao embarcar nas reformas anteriormente mencionadas e políticas neoliberais resultantes. A metodologia perseguida é de uma maneira hermenêutica dentro do contexto das ciências sociais.

A tese em questão conclui que ao cair na Agenda 2010, o SPD se tornou uma causalidade de facto dos seus próprios equívocos ideológicos. Consequentemente, as reformas resultaram numa crise de credibilidade, bem como na perda de confiança do partido, mas especialmente dos seus membros e apoiantes. Isto causado pelo facto de que grandes partes do partido terem visto as reformas como neoliberais e, portanto, como uma provocação e um claro desafio aos tradicionais valores social-democratas. Resultando numa grande divisão dentro do partido, entre membros e apoiantes que, posteriormente, surgiram nos últimos resultados eleitorais. Ao implementar a Agenda 2010, o SPD transformou-se de um tradicional partido social-democrata num partido mais orientado para o mercado, revelado uma alienação entre o partido e seus partidários.

**Palavras-chave:** Democracia social, Partidos políticos, Pesquisa partidária, Partido Social-Democrata da Alemanha, Agenda 2010, Third Way, Neue Mitte

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## Glossary of acronyms

ADAV	Allgemeiner Deutscher Arbeiterverein (General German Workers' Association)
BAFöG	Bundesausbildungsförderungsgesetz (Federal Training Assistance Act)
BBC	British Broadcast Corporation
BRD	Bundesrepublik Deutschland (Federal Republic of Germany)
CDU	Christlich Demokratische Union (Christian Democratic Union)
CSU	Christlich Soziale Union (Christian Social Union)
EU	European Union
FDP	Freie Demokratische Partei (Free Democratic Party)
Greens	Bündnis90/Die Grünen (Alliance 90/The Greens)
NATO	North Atlantic Treaty Organisation
NGO	Non-governmental organisation
PDS	Partei des Demokratischen Sozialismus (Party of Democratic Socialism)
SED	Sozialistische Einheitspartei Deutschlands (Socialist Unity Party of Germany)
SDAP	Sozialdemokratische Arbeiterpartei Deutschlands (Social Democratic Worker's Party of Germany)
SPD	Sozialdemokratische Partei Deutschland (Social Democratic Party of Germany)

UK	United Kingdom of Great Britain and Northern Ireland
USA	United States of America
WASG	Arbeit und Soziale Gerechtigkeit - Die Wahlalternative (Labour and Social Justice - The Electoral Alternative)

## I. Introduction

*“The time is out of joint.”*

With these words William Shakespeare’s *“The Tragedy of Hamlet, Prince of Denmark”* describes the tumultuous times the protagonist was witnessing. (cf. Shakespeare: Hamlet, act 1, scene 5, 188). The drama intentionally characterises the circumstance the tragedy’s central figure - Hamlet, the Prince of Denmark - finds himself in. He is summoned by his father’s ghost to seek revenge on his uncle Claudius, who murdered his own brother and Hamlet’s father - King Hamlet - thereby opening the way to seize the throne and marry Getrude, his brother’s widow.

These words haven’t lost their meaning and echo again in current times and they bring us also to the most recent work of Immanuel Wallerstein whose title replicates the same sentence. In this work, the sociologist questions whether the modern world is characterised by patterns of linear development leading to a rise in positive social trends towards a homogenised world, or if we are living in a world marked by a rising polarisation and a loss of equilibrium, particularly in the post-1945-era. (cf. Wallerstein 2014). Furthermore, Shakespeare’s words also set the tone for the often quoted words and dictum of Germany’s former Foreign Minister and current Federal President Frank-Walter Steinmeier. By saying: *“Die Welt ist aus den Fugen geraten”* [*“the world is out of joint”*] he acknowledges that the world as we know it - once clearly bipolar - politically speaking is in despaired disarray or is coming to an end. Steinmeier explains his assumptions by referring to what he considers to be “vast tectonic shifts” in society. (cf. Steinmeier 2015).

“We are witnessing the end of the social democratic century”. (Dahrendorf 1983: 17). What also appears to be a recent ascertainment, rather dates back more than 35 years, when in 1983 made by the German-British sociologist, political scientist and philosopher Lord Ralf Dahrendorf. By doing so, he also bid farewell, but different than Steinmeier or Wallerstein, explicitly referring to the “epoch” of social democracy. According to his prognosis, Dahrendorf argues that over the past time social democracy had fulfilled its important task as a social movement with all its successful results and implementations, and it was therefore no longer needed and subsequently its influence and creative power was going to decline. (cf. *ibid.* 17-24). With regards to the gradually vanishing state of social democracy in Germany but also across Europe, this appears to be the current fact.

If there would not exist an example par excellence for the crisis, downfall and failure of a political party in modern times, one would have to invent it in order to describe what is



currently happening with, in and around the Social Democratic Party of Germany (SPD). Not merely within the party's chaotic last two years, but especially in its past two decades. Otherwise can simply not be expressed which development Germany's oldest political party took in recent times.

In 1998, the party secured 40.9 percent of votes under Gerhard Schröder in the country's general elections, one of the best election results in the post-war era for the Social Democrats. However, from that moment on the party persistently lost vote share in five subsequent general elections, except in 2013 when there was a slight increase in the number of votes. Most recently Martin Schulz, former President of the European Parliament, secured 20.5 percent of the votes in the 2017 general elections in Germany. In retrospect the party's vote share was halved in less than twenty years. (cf. Bundestag 2019).

The purpose of this work, trying to explain the demise of social democracy is subsequently being linked to the assumption already partially stated above: the decline, if not the end, of popular parties, as this inevitably affects the Social Democratic Party of Germany.

The subject and purpose of this master thesis is thus to analyse the Social Democratic Party of Germany. As stated above in this work's title we set the tone assuming that the party became a victim of its own ideological failings. From this derives the work's topic, and this paper's true essence: a hypothetical link between the concepts of 'Third Way' and 'Neue Mitte', which the party focused on and the subsequent downfall of the SPD itself and overall loss of political relevance. This is illustrated by the example of the 'Agenda 2010' set of reforms and their consequences. Given that the set of reforms is closely linked to the party's downfall, crisis and failure and can be considered the most significant explanation for the losses of the SPD popularity. (cf. Reibenstein et al. 2013: 143). However, its implications, measures and consequences were seen as "highly controversial" (Potthoff/Miller 2005: 404) both in the academic world and in German society.

The election results of 1998 and 2017 set the time frame for this master thesis as both years became epitomes for the last great success and the colossal fall of the party in less than twenty years. We thus analyse the SPD developments during this period, focusing particularly on the so-called Agenda 2010 reforms, the core issue of this paper. Our aim is therefore to answer the central research question, namely whether or not and if, to which extent the fact that the SPD embarked on these reforms – and therefore on neoliberal politics and policies – led to the current state of affairs as regards this party.

This master thesis structures as follows: after this introduction it is proceeded with the definitions of this work's most relevant terms and ideas, e.g. the Social Democratic Party of

Germany, the Third Way and Agenda 2010. After explaining the SPD's historical background during this period, the focus goes to its actions and activities and to the essential part of this thesis, the analysis of Agenda 2010. Politics and policies implemented by the party within the scope of the reforms are thus examined. The aim is to analyse whether this can be held responsible for the situation the party is in today. The focus also goes to the backgrounds, reasons and consequences followed by a summary based on the findings. Finally, this paper aims at reaching a conclusion based both on the analysis and its findings. An outlook as well as a critical assessment of the thesis, its underlying approach and methods, are also provided. As outlined above, this work accordingly is divided into two main parts: definitional and history followed by analysis. Both combined form the core of this master thesis.

With reference to the overall approach of this work it is worth highlighting that its methodology is of hermeneutical nature within the context of social sciences. Accordingly, the research question is approached by analysing, reviewing and interpreting the chosen and gathered literature. The approach is rather inductive given that no general theory underlies this work. Instead, this thesis aims to generalise its findings and conclusion, perfectly aware of all the implications and restrictions in following such an approach.

At this point it is also worth emphasising what this paper does not intend to do, although it may seem of importance at first sight: first and foremost the aim is not to assess the set of reforms from a political and economic perspective but rather to try point out the consequences of such reforms for the SPD. Furthermore, and this needs to be stressed, the set of reforms under the Agenda 2010 umbrella are not the only reason behind the downfall and the current crisis of the SPD. This is due rather to the combination of a number of long-, medium- and short-term factors. When taken and analysed individually, however, they do not provide a comprehensive explanation for the topic as a whole. (cf. Reibenstein et al. 2013: 121). Such reasons are inter alia: psychological factors, accordingly the theories and approaches used to explain voting behaviour, the so called 'social democratisation' of the union between CDU and CSU over the past decade, the creation and implementation of the Left Party, but especially shifts within social and cultural settings as well as changes and transformations in present societies linked to this. The decline of the primary and consequently the simultaneous increase of the service sector and its respective industry are only being briefly covered here. All these issues contributed to the loss of importance of what was known for many decades as the classical cleavage approach within political sciences. It therefore affected and still affects the party under analysis in this this work. An extensive and all-embracing assessment of what was stated in the previous paragraph would fall beyond the scope of this work. Hence, this master thesis merely focusses on the

SPD in the light of the Agenda 2010 reforms. It therefore does not assess the latter in the broader picture, taking rather into consideration directly related matters and factors which contributed to the crisis and failure of the Social Democratic Party of Germany.

## II. Literature review

Referring to the current state of research and regarding this work's underlying literature can be emphasised that the Social Democratic Party of Germany is among the most elaborated political parties, giving the fact of the countless publications on behalf of it. According to the number of publications and overall relevance the political scientist Franz Walter can be declared as the party's most prominent researcher. Other notable scholars include Thomas Meyer as well as Oliver Nachtwey.

As long-time head of the Göttinger Institut für Demokratieforschung (Göttinger Institute for Democracy Research) Walter mainly shaped the Göttinger Schule der Parteienforschung (Göttinger School for Party Research), an institution widely respected for its qualitative and history focussed approach. Central points of his research were the labour movement, the erosion of social milieus as well as the SPD itself. Within his work Walter was always seeking to use a universal and understandable language in order to convey scientific findings for a broad audience. By this and the fact of publishing in both, academic and non-academic outlets, he aimed to close the gap between professional journals and popular media. His contributions are considered as standard and reference works. Despite being a party member himself, he has always been a strong critic of the SPD.

Meyer respectively, being directly influenced by studying under Adorno, Habermas and Horkheimer in Frankfurt, is highly respected for his works on the effects of modern media onto contemporary politics of which he is a great critic. His scientific focus ranges from social democracy and cultural foundation politics until political communication. He is furthermore deputy chairman of the Grundwertekommission der SPD (Commission for Fundamental Values of the SPD) and co-publisher as well as editor-in-chief of the journal *Neue Gesellschaft/Frankfurter Hefte*.

Nachtwey on the other hand was the first notable scholar which focused on the transformation process of the SPD in its last decades. Here he introduced and mainly shaped the term of Marktsozialdemokratie (Market Social Democracy). Other than Meyer and Walter, his primary academic background are not political sciences, rather than economics. Hence, he is one of Germany's most prominent researchers in the field of socioeconomics.

Taking all three scholars named into consideration it needs to be emphasised that this master thesis is especially based on their scientific publications. Once again this demonstrates their outstanding contributions to the topic.

Furthermore, it needs to be highlighted that the works of Faulenbach (2012) as well

as Potthoff/Miller (2005) were especially of high value in order to grasp the party's history, since they explicitly focus on the political history of the SPD. However, Potthoff's and Miller's publication ranging from 1848 to 2005 can be seen as the last extensive historical outline on behalf of the party. This explains the outstanding relevance of their work for this thesis. However, also the fact of it being one of the only sources of information acquisition within the first part of this thesis.

Paramount to the second and hence analytical part of this thesis were the works of Reibentein (et al.) (2013), Butterwegge (2018) and Grunden (et al.) (2017) as well as Meyer (2004, 2009, 2018), Micus/Walter (2017) and Nachtwey (2008, 2009). Especially, since their research mainly focusses on the transformation and crisis of the SPD in recent years – hence this work's topic. These works were furthermore of significant relevance for this master thesis, since they not only focus on the mere decline of the German Social Democratic Party but especially take into consideration and therefore elaborate the central research subject: the role of the Agenda 2010 reforms within this process.

Here it is vital to emphasise that even if the scholars referred to within the last paragraph all focus on the same topic, they distinguish themselves in their individual approaches and findings. While Reibenstein (et al.) (2013) predict the SPD's future based on the party's most recent history including its achievements and failures, Grunden (et al.) (2017) focus less on prospecting the party's future, rather than analysing the SPD's past two decades. In doing so, they conduct their analysis from the angle of viewing an ill patient, hence referring in their title to a medical anamnesis of the party itself. A similar approach is chosen by Micus/Walter (2017) and Nachtwey (2008, 2009) which, as well, try to explain how the SPD's downfall could have happened. Similar to the initially mentioned work of Reibenstein (et al.) (2013) are the ones of Meyer (2009, 2018) and Butzlaff/Nachtwey (2009) since they also centre on the future of the German social democrats. In line with the topic, however different in its approach towards all the others can be seen the work of Butterwegge (2018) who concentrates his analysis on the welfare state, respectively its past and future regarding its present crisis and the contributions of the SPD to it.

Rather unisono than different are the findings of all mentioned scholars: becoming obvious throughout this thesis, but especially in its summary and conclusion. The underlying literature agrees harmonisingly on the affects the Agenda 2010 reforms had onto the Social Democratic Party of Germany and its performance in the past, present as well as future. However, most, if not all scholars, depict the reforms as only a partial piece, even if a decisive one, within the broader mosaic of reasons that led to the downfall of the SPD.

### III. Definitions

In the subsequent section this thesis' most important terms are being defined. These being: the *Social Democratic Party of Germany* itself, the *Third Way* concept as well as the *Agenda 2010* reforms. Outlining these terms by providing their definitions shall guide through the content of this work and as well assist its readers in terms of clarity and comprehensibility on behalf of this work.

#### III.1 The Social Democratic Party of Germany

The *Social Democratic Party of Germany*, abbreviated *SPD*, is a political party of the Federal Republic of Germany dedicated to social democracy. Contemporary speaking, the party has over the past decades become one of the two major German political parties besides the Union of Christian Democratic Union (CDU) and Christian Social Union (CSU).

Historically, the earliest roots of the party date back to 1863, the year which the party itself considers its founding moment. Precisely on 23<sup>rd</sup> May 1863 when Ferdinand Lassalle founded the "*Allgemeiner Deutsche Arbeiterverein*" (ADAV) in Leipzig. Six years later, respectively on 8<sup>th</sup> August 1869 August Bebel and Wilhelm Liebknecht established a counterpart, called "*Sozialdemokratische Arbeiterpartei*" (SDAP) in Eisenach. Both parties unified on 27<sup>th</sup> May 1875 in Gotha, therefore establishing the "*Sozialistische Arbeiterpartei*" which in 1890 renamed itself into its present name: "*Sozialdemokratische Partei Deutschlands*". (cf. Jun 2018: 468).

The contextual core roots of the party trace back to Judaism and Christianity, humanism and enlightenment as well as Marxist societal analysis and the experiences of the labour movement. Ever since the SPD's alignment focussed on social democracy as well as progressivism. Therefore, the general political position of the party can be declared as centre-left.

Speaking about the SPD's general programme can be emphasised, that it has been significantly in transformation over the course of time and existence of the party itself. Important caesuras were always made by the adoption and approval of new fundamental programmes. Even if these intended to be of an internal affirmational character regarding the party's identity and hence usually functioned to recognise programmatical changes or shifts retrospectively. (cf. Spier/von Alemann 2013: 453; Nachtwey 2009: 36-38). Until today the so called "*Godesberger Programm*", agreed on in 1959, is seen as the most influential set of principles in the history of the party. This is especially the case, since the party then

stated its transformation from a socialist workers party to a popular party<sup>1</sup> and emphasised its principal and fundamental values: freedom, justice and solidarity, that are still valid until today. From then on, the party accepted market economy and generally recognised its concept. (cf. Jun 2018: 469). More recently, the “*Berliner Programme*” of 1989 reflected the issues that occurred especially within the social-liberal coalition between 1969 and 1982, since expanding Keynesian economic policies had failed. Subsequently, the party adopted ideas of a new social movement in order to modernise and to open itself for new layers of society and therefore voters. The values democracy, peace and international and global cooperation were added to the former programme of 1959. The “*Hamburger Programme*” from 2007 is the SPD’s most recent basic programme. It can be seen as an attempt of legitimacy subsequent to the government policies of Gerhard Schröder and also stated a highly competitive compromise of the former major party wings modernisers and traditionalists<sup>2</sup>. (cf. Spier/von Alemann 2013: 453).

As speaking of today the Social Democratic Party of Germany is being represented in all sixteen federal states of Germany. Its current chairpersons are Manuela Schwesig, Thorsten Schäfer-Gümbel and Malu Dreyer while Lars Klingbeil functions as the party’s secretary general. Its honorary chairman is Willy Brandt and the headquarter, being named after him, is located in Berlin. The SPD’s youth organization are the “*Jungsozialisten*” [young socialists], usually abbreviated as “*Jusos*”, with Kevin Kühnert as their present head. The party’s in-house newspaper is called “*Vorwärts*”, while the party-affiliated foundation is the “*Friedrich-Ebert-Foundation*”. The SPD’s European affiliation is the “*Party of European Socialists*” while its European Parliament group is the “*Progressive Alliance of the Socialists and Democrats*”. Its international affiliation is within the “*Progressive Alliance*”. The colour of the SPD is red.

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<sup>1</sup> The term “*popular party*” generally speaking refers to a political organisation whose social composition of members, activists and voters is not limited to one specific class or group, opening it therefore to multiple layers, classes and religions of society. Accordingly, a popular party represents a broad spectrum of society which displays itself in the fact, that such parties usually achieve large vote shares in elections. (cf. Lösche 2009: 6).

<sup>2</sup> “*Traditionalists*” and “*modernisers*” are two programmatic political tendencies within the SPD. They arose and peaked around the 1998 general elections about the issues, on how to adapt Germany to globalised labour and financial markets, to transform the traditional welfare state, to reduce government debt and how to open up political room for manoeuvre again. Hence, the question about the relationship between state and market, especially focussing on the role the state has towards the individual, structures both views. Traditionalists favour political instruments such as existing protective mechanisms of the passive follow-up welfare state, a redistribution of material goods and demand-driven fiscal policies in accordance with Keynesian economics. Their opposing modernisers doubt the effectiveness of these traditional views and favour supply-driven fiscal policies and an activating and preventive welfare state aligned with the concept of neoliberalism. Gerhard Schröder and Oskar Lafontaine were the key players of respectively modernisers and traditionalists. (cf. Henkes 2007: 8-11).

### III.2 The Third Way

The term '*Third Way*' is a political concept which, according to its most prominent advocate Anthony Giddens, "refers to a framework of thinking and policy-making that seeks to adapt social democracy to a world which has changed fundamentally (...) [and is] third way in the sense that it is an attempt to transcend both old-style social democracy and neoliberalism" (Giddens 1998: 26).

The approach is "something different and distinct from liberal capitalism with its unswerving belief in the merits of the free market and democratic socialism with its demand management and obsession with the state" (BBC 1999). Following the historian Winkler (2016), the concept was the "attempted synthesis of social democratic reformism (...) and certain elements of neoliberalism" (Winkler 2016: 128). However, it has to be stressed, that such a "modernizing of social democracy itself [is inevitably linked to] the breaking away from classical social democratic positions." (Giddens 1998: 67). Consequently, for Giddens the idea encompasses seven principle values: equality, protection of the vulnerable, freedom of autonomy, no rights without responsibilities, no authority without democracy, cosmopolitan pluralism as well as philosophic conservatism. (c.f. Giddens 1998: 66). Potthoff/Miller (2005) state that the concept aimed to "reduce state expenditure, also in the social sphere, to make the economy more dynamic, to introduce tax reforms, and it also advocated that the Social Democrats should adopt some aspects of liberalism" (Potthoff/Miller 2005: 371). Following Winkler (2016), the main focus of the approach is the political belief that "private companies in general are more effective than public companies, that the state in the light of a progressing globalisation has the task to promote the international competitiveness of its companies and banks and that it is of a central matter introducing more flexibility in the labour market" (Winkler 2016: 128).

Following the at the time British Prime Minister Tony Blair the reason for establishing a third way concept was "to respond to change in the global order (...) [in which] pre-existing political ideologies have lost their resonance" (Giddens 1998: 1). Giddens himself adds as a crucial reason for his ideas was "to provide politics with a greater sense of direction and purpose" (ibid. 2). To him it was inevitable for social democratic parties not to focus on "the issue of modernization [as] (...) a basic one for the new politics (...) [therefore meaning] the modernization of social democracy itself - the breaking away from classical social democratic positions" (ibid. 67). That such a general shift in policies of social democratic parties in fact turned out to be necessary emphasises the author of "The Third Way" by drawing connections towards "changes in patterns of political support" (ibid. 20) and the



necessity of parties reacting to it. This especially manifests itself by the class-based voting behaviour as well as political affiliation as indicated for instance by the decline of blue-coloured workers as well as the fact of woman having entered the workforce to a larger extent. But as well by considering changed values in societies and in the fact of the non-voters becoming the actual biggest voting bloc. (cf. Giddens 1998: 20).

Referring to the terms' history Giddens stresses, that its roots date back until the early 1920s, while initially being popular within right-wing groups. However, it was relatively fast adapted by socialists and social democrats. (cf. *ibid.* 25). The author continues his historical remarks by saying that “[i]n the early post-war period, social democrats quite explicitly thought of themselves as finding a way distinct from American market capitalism and Soviet communism.” (Giddens 1998: 25). About thirty years later, precisely in the late 1980s, especially the social democrats in Sweden internalised the phrase by linking it to “an important programmatic renewal.” (*ibid.* 25).

More elaborate, Giddens accentuates, that due to the recent debates, questions and difficulties around the future of social democracy, no integrated agenda for social democratic policies can be developed, unless at least provisional answers are given to these unsolved issues. (*ibid.* 27). Accordingly, he emphasises five questions – labelled as “basic dilemmas” – which “have rightly bulked large in the controversies.” (*ibid.*). According to him these are: globalisation, individualism, left and right, political agency and ecological problems (cf. *ibid.* 27-28).

Additionally, Giddens states that:

“The overall aim of third way politics should be to help citizens to pilot their way through the major revolutions of our time: globalization, transformations in personal life and our relationship to nature. Third way politics should take a positive attitude towards globalization - but, critically, only as a phenomenon ranging much more widely than the global marketplace. Social democrats need to contest economic and cultural protectionism, the territory of the far right, which sees globalization as a threat to national integrity and traditional values. Economic globalization plainly can have destructive effects upon local self-sufficiency. Yet protectionism is neither sensible nor desirable. Even if it could be made to work, it would create a world of selfish and probably warring economic blocs. Third way politics should not identify globalization with a blanket endorsement of free trade. Free trade can be an engine of economic development but given the socially and culturally destructive power of markets, its wider consequences need always to be scrutinized. Third way politics should preserve a core concern with social justice, while accepting that the range of questions which escape the left/right divide is greater than before. Equality and

individual freedom may conflict, but egalitarian measures also often increase the range of freedoms open to individuals. Freedom to social democrats should mean autonomy of action, which in turn demands the involvement of wider social community. Having abandoned collectivism, third way politics look for a new relationship between the individual and the community, a redefinition of rights and obligations.” (Giddens 1998: 65).

Furthermore, the author suggests two precepts serving as mottos for the new politics and policies of the concept. These being: “no rights without responsibilities” as well as “no authority without democracy” (cf. Giddens 1998: 66-67). In relation to the first one the author highlights, that governments have a vast range of responsibilities according to its citizens. However, old-fashioned social democracy inclined to accept and regards these rights as unconditional claims. But especially due to an expanding individualism it should have been associated with extending obligations of the individual as well. Giddens illustrates this with unemployment benefits: accordingly, these should imply the obligation for the individual looking actively for employment as well as this being the duty of governments to ensure that such an active search is not discouraged by its welfare systems. Governments should guarantee, that no rights without responsibilities apply to all members of society and not solely to the recipients of welfare benefits alone. If this is not being highlighted by social democrats, the precept mentioned is likely to be merely applied towards the needy and the poor. By this, it generates an advantage for the political right. The second precept includes, that the representatives of the political right historically justified authority in nations, governments or individuals with the argument, that this brittles without tradition and deference. According to Giddens, this is the case since people are unable to distinguish between what is right and wrong. Leading to the fact that democracy on its own can hardly ever be more than partial. Consequently, social democrats should take onto an opposing viewpoint towards this perception, since in increasingly individual societies the only path leading to the establishing can be reached by democracy. Especially due to the fact that rising individualism, as Giddens stresses, does not subvert authority in general, but requests it to be transformed to a basis of a participatory or active foundation. (cf. Giddens 1998: 65-66).<sup>3</sup>

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<sup>3</sup> At this stage shall be emphasised, that the concepts “*Third Way*” and “*Neue Mitte*” are being used synonymously throughout this work, as it is also common academic practice. Introduced in 1999, by Tony Blair and Gerhard Schröder in their joined “*Schröder-Blair-Paper*”, Third Way initially referred to the political approach of Blair, while the one carried out by Schröder was labelled as *Neue Mitte*. (cf. Potthoff/Miller 2005: 371).

### III.3 Agenda 2010

The '*Agenda 2010*' was, generally speaking, a political programme in order to reform the German social and welfare state, aiming to regain the economic competitiveness of the country. It was based on the idea to "cut social spending in order to boost the economy and to bring some movement into the labour market." (Potthoff/Miller 2005: 404). On 14<sup>th</sup> March 2003 the set of reforms was firstly presented in a government statement by Chancellor Schröder. Due to the overall importance of the reforms themselves it is considered his most important speech during his period in office (cf. Winkler 2016: 243) and "mainly drew back to the work of the [then] Chancellery Minister Steinmeier" (Faulenbach 2012: 128).

By the end of the last century, Germany was considered the "sick man of Europe", as the *Economist* put it in 1999, and therefore such a programme was regarded a necessity. (cf. Economist 1999). This statement manifested in the catastrophic and desolate condition the country's economy found itself in. Respectively Potthoff/Miller (2005) stated:

"The economy was stagnating, unemployment was rising, tax revenues were collapsing, and public expenditure was growing due to the burden of benefit payments. It was seen as a shot across the bows when the EU Commission instituted proceedings against Germany, once a watchword for stability and financial solidity, because of its balance on payments deficit." (Potthoff/Miller 2005: 403).

In 2001 the German gross domestic product solely increased by 0.1 percent and in the subsequent year decreased by 0.2 percent. All other industrialised states across the board performed better. (cf. Winkler 2016: 243). Chancellor Schröder confronted his own party, but also the Bundestag and therefore the German people and society with the question – one actually needs to say dilemma – that "[e]ither we modernise as a social market economy, or we will be modernised by the unrestrained forces of the market, who would edge aside the social affairs." (Bundestag 2003: 2481). Chancellor Schröder expressed the urge for reforms by emphasising:

"We will have to curtail state benefits, promote personal responsibility and demand more personal contribution from each individual." (Bundestag 2003: 2479).

The most important elements of the Agenda 2010 were "limiting the period for which unemployment benefit could be drawn; the merging of unemployment and social security benefit into 'unemployment benefit II'; relaxing the law on wrongful dismissal for small firms;

adding a 'sustainability factor' to the calculation formula for pensions; a gradual raising of the retirement age; employees taking on the cost of sickness benefit; and the lifting, in the case of most trades, of the requirement to train under a master craftsman in order to promote the setting up of new businesses." (Potthoff/Miller 2005: 404-405). Accordingly, the Agenda 2010 affected the areas taxes, finances, economy, labour market, social and family policies, education as well as healthcare and pensions. (cf. Reibenstein et al. 2013: 131).

The actual core of the Agenda 2010 were the changes within the labour market, the so called "Hartz-laws"<sup>4</sup>. With Hartz-law-I the temporary employment and subcontracted work was freed from bureaucratic regulations. Furthermore, jobs up to 800 Euro per month were released from social security contributions, as stated by "Hartz-law-II". Main focus, however, was the law number IV: the subscription period of unemployment benefit was cut from 32 months to twelve months or to 18 months for people over the age of 55. Additionally, social welfare benefit and unemployment benefit, formerly being separated means, were from now on merged and hence established the so called "unemployment benefit II". It was put at the lower level of the former social welfare benefit and its reception was linked and coupled with a certain indigence. Therefore implying, that payments are only being granted when the individual assets and income do not extend certain limits. Accordingly, recipients of the unemployment benefit II have to completely reveal all of their financial circumstances, including their savings and reserves for the pension scheme. (cf. Winkler 2016: 244; Reibenstein et al. 2013: 131-132). The reforms also included, that "business start-ups were facilitated, the further education of jobseekers encouraged, the dismissal protection loosened [and] the handicraft regulations liberalised to the effect that starting a business in many cases became possible even without a master's examination." (Winkler 2016: 244).

Especially due to the Hartz-laws the Agenda 2010 and its measures and implementations were not without controversy. (cf. Potthoff/Miller 2005: 404). For some, the set of reforms was "the necessary adaptation to the far-reaching changes in the world of labour and the globally interlinked economic markets, while for others it was the shroud of social protection in Germany." (Grunden et al. 2017: 156).

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<sup>4</sup> The expression 'Hartz' derives from the "Commission for Modern Labour Market Services", mostly called "Hartz Commission". Formed in February 2002, it consisted of employee's and employer's representatives, politicians, academics and management consultants and was led by chairman Peter Hartz, Volkswagen's at the time head of personal management. It was implemented to elaborate and develop a labour market reform after trade unions, employer's associations and the government were not able to agree on a common modernisation strategy beforehand. Their proposals functioned as a blueprint for the set of laws that was consequently introduced by Chancellor Schröder. (cf. Blancke/Schmid 2003: 220; Potthoff/Miller 2005: 403; Winkler 2016: 243).



## IV. Historical outline — The Social Democratic Party between 1998 and 2017

The following section provides this thesis' historical background and therefore focusses on the history of the SPD in between the years 1998 and 2017. Subsequently five paragraphs – in accordance to the different legislative government periods – display the party and its actions in its individual stages within government and opposition.

### IV.1 1998-2002 Schröder I

On 27<sup>th</sup> September 1998, the Social Democratic Party of Germany achieved a total vote share of 40.9 percent in the German federal elections, making it one of the greatest electoral successes in the history of the party. Mainly responsible for this outcome was not only Chancellor candidate Gerhard Schröder – the former prime minister of Lower Saxony –, but also the party's chairman Oskar Lafontaine. Together they formed the party's leading duo. Prior to the elections the combination of Schröder and Lafontaine raised high expectations among the electorate for mainly two reasons: on one side both personified different political views. While Schröder was considered a so called "*moderniser*", accordingly being economic liberal, Lafontaine was seen as a "*traditionalist*", therefore highly dedicated to the welfare state. On the other side the Federal Republic of Germany had just experienced 16 years of government period led by the Christian Democratic Chancellor Helmut Kohl and was furthermore witnessing high unemployment at the time. (cf. Potthoff/Miller 2005: 362-364).

The SPD's electoral campaign was characterised by the slogan "We will do a lot differently, but above all, do a lot of things better" which "aimed at avoiding negative expectations of change, whilst also encouraging positive associations in the minds of the voters" (Potthoff/Miller 2005: 362-363). It was especially chosen to provide Schröder with an image as a candidate of the centre ground. By this, according to Potthoff/Miller (2005), the "SPD presented itself as a fresh, vibrant party which was managing to combine its basic, traditional values of freedom, justice, and solidarity with the demands of a modern industrial service industry and communications' society." (ibid.: 363). Ristau (2000) furthermore indicates that Schröder was "without a doubt the more popular politician, with the aura of a winner and of a man who gets things done, extremely personable, but who in addition is seen quite clearly as the person most likely to solve Germany's future problems." (Ristau 2000: 477). Accordingly, the election's outcome can be declared Schröder's personal success, but simultaneously an accomplishment of Lafontaine representing traditional social

democratic values such as an employees' defending welfare state. Subsequently their electoral success drew upon representing and hence combining both major party tendencies: modernisers and traditionalists. At the same time the success represented a defeat in persona for the former Chancellor Kohl. (cf. Potthoff/Miller 2005: 364).

Exactly one month after the elections Gerhard Schröder "was elected as Federal Chancellor by the unanimous vote of the 345 coalition deputies, with a further six votes coming from the opposition benches." (Potthoff/Miller 2005: 365). Consequently, the SPD had government responsibility once again after Helmut Schmidt's period as Chancellor ended in 1982. Together with Alliance 90/The Greens the party formed a so called "*red-green alliance*", with Schröder taking over the Chancellery and Joschka Fischer (Alliance 90/The Greens) serving as Vice-Chancellor as well as Minister for Foreign Affairs. The arrival of the Greens to the federal government stated a novelty within the German political history as well as the fact that centre-left parties gained more than 50 percent of the overall vote share. As well for the first time in German history had a federal government – the former coalition of CDU/CSU and FDP – been entirely opted out. Besides that, the new coalition was expected to embody a change in the country's political culture since with the Greens a former and rather new social movement was now part of the government. (cf. Potthoff/Miller 2005: 365).

However, the start of the new government was far from being smooth: Lafontaine's initiatives as Finance minister regarding financial policy, especially to control the international financial capital, faced resistance in the Federal Republic since they were hardly compatible to the needed economic boost, consolidation of budget and simplification of the tax system. They also contradicted the views of Germany's Western partners due to the fact that they would oppose the principles of a free market which they favoured as Atlanticists. (cf. Potthoff/Miller 2005: 367). Potthoff/Miller (2005) state that "Lafontaine had overestimated himself and the extent of his powers" (Potthoff/Miller 2005: 367). He was counteracted by the Minister to the Chancellery, Bodo Hombach, and his campaign focussing on a modernising market-oriented policy-course, similar to the one recently implemented by Tony Blair in Great Britain under "New Labour". On 11<sup>th</sup> March 1999 Lafontaine announced to resign as Minister of Finance as well as Party Chairman of the SPD after realising that Chancellor Schröder was the determining figure in domestic policies, who also represented the German Federal Republic confidentially on the international stage. (cf. *ibid.*). He explained his decision by stating, that "the heart is yet not traded on the stock exchange, but it has a firm location: it beats on the left." (Lafontaine 1999: 230-231). However, the party as well as the public did not show a broad understanding for this

decision. Subsequently, on 12<sup>th</sup> April 1999, Schröder took over power as new Party Chairman after being elected at the SPD congress in Bonn with a majority of 75.98 percent. (cf. Faulenbach 2012: 124). Conclusively, the Polish political commentator Adam Krzeminski summarises, that Schröder won the social duel by representing the Blair line with the so called “Neue Mitte”. (cf. Potthoff/Miller 2005: 367-368).

On 23<sup>rd</sup> May 1999 Johannes Rau was elected as the new German Federal President. Therefore, 25 years after Gustav Heinemann, the SPD again took control over the highest German office. Throughout the same year, however, the SPD lost several local state elections inter alia in the states of Hesse, Saarland and Thuringia. These defeats led to the introduction of a new party personnel which indicated a generational shift within the SPD. Heiko Maas for instance became the party’s leader in Saarland with 33 years and Sigmar Gabriel the country's youngest Prime Minister in the state of Lower Saxony at the age of 40. (cf. Potthoff/Miller 2005: 370, 385).

One year after the federal elections, the popular acceptance of the Schröder government was low and the party had steadily declined in the polls towards 32 percent, while CDU/CSU simultaneously had achieved strong gains. (cf. Potthoff/Miller 2005: 370-371). Especially the Chancellor himself was subject to polarisation. Hence Potthoff/Miller (2005) state:

“Gerhard Schröder, whom sections of the press, not without their own particular agenda, had subjected to malicious comment, dubbing him the ‘Brioni-’, ‘Cashmere-’, and ‘Cohiba cigar-Chancellor’, also found himself in the firing line.” (Potthoff/Miller 2005: 371).

To this circumstance greatly contributed the publication of the “*Schröder-Blair-Paper*” in June 1999. It leaned onto both prime minister’s market-oriented policies considered as “New Labour” and “Neue Mitte” as well as onto the ideas of “Third Way” by Anthony Giddens. The paper especially featured aspects of liberalism such as the reducing of state expenses, mainly in the social sphere in order to make the economy more dynamic again, while simultaneously introducing a tax reform. It therefore became the hallmark of the SPD’s modernisers and was accordingly opposed by the traditionalists, which, on the contrary, favoured a redistribution of wealth, a greater social justice as well as more intervention of the state. (cf. Potthoff/Miller 2005: 371-372). As a consequence, within “a party somewhat unsure of itself, the Chancellor and party chairman found himself swimming against the tide.” (Potthoff/Miller 2005: 372).

Yet by the end of 1999 fortunes felt to change. This was especially marked by the



withdrawing of SPD's business manager Ottmar Schreiner, who – once appointed by Lafontaine – was also considered a left-wing traditionalist. Schreiner was subsequently replaced by the formerly successful head of the 1998s election campaign: Franz Müntefering, who was soon after elected as the party's General Secretary. His success was based on the fact of restoring motivation within the party and also re-establishing its effectiveness. (cf. Potthoff/Miller 2005: 372).

Of further help to the success of the party and the red-green coalition was moreover the dissemination of the CDU donations scandal<sup>5</sup> uncovered in late 1999, which also involved the former Chancellor Kohl and therefore attracted both, great media and public attention. (cf. Potthoff/Miller 2005: 374). By 2000, however, after difficult negotiations with the country's energy providers, the government negotiated and approved Germany's phasing-out of atomic power until the year 2032. This certainly marked a special path unlike any other hitherto taken in Europe and was correspondingly considered a switchover towards renewable energies. (cf. Faulenbach 2012: 125). Another major issue within the first years of the Schröder administration was the huge unemployment. By the end of the Kohl-era, unemployment had risen to almost five million people and therefore 11.5 percent. At the beginning of his term Schröder declared that his government should and would be measured by its ability of reducing this high rate. The target set by him until the end of his first term in office aimed for a reduction towards 3.5 million unemployed people. And in fact, in June 2000 and therefore after less than two years, the number had decreased towards 3.7 million and respectively 9.5 percent. (cf. Potthoff/Miller 2005: 376-377).

Facing Germany's demographic development and the expected problems linked to it, inter alia the financing of pensions, the red-green coalition needed to act. It introduced a supplementary state subsidised pension named after the former unionist and by the time Minister of Labour, Walter Riester. With this, the Schröder administration introduced a second pillar besides the existing regular state pension system, on an insurance base since it was built upon a self-provisional approach. (cf. Potthoff/Miller 2005: 382). However, the so called "*Riester-Rente*" was not uncontroversial, especially since it generated strong profits for the insurance industry. (cf. Faulenbach 2012: 125). By this, "the SPD was taken into account not only the strains imposed by the serious shift in the age pyramid, but also the need for people to take more responsibility for themselves." (Potthoff/Miller 2005: 382).

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<sup>5</sup> From 1993 until 1997, the CDU under the leadership of the then Chancellor and party chairman Kohl, received large and undeclared donations. Payments amounting up to two million Deutsche Mark were transferred into illegal accounts and the party therefore infringed governmental party regulations. During a public confession on 16<sup>th</sup> December 1999, Kohl admitted the allegations but however, refused to reveal the names of the potential donors. (cf. Potthoff/Miller 2005: 374; Winkler 2016: 143-144).

Equally contentious was the tax reform bill in 2000: on one side it was a benefit to people with low incomes and families due to an increase of the minimum exempted income. On the contrary, it also favoured businesses and stock companies, since it lowered the maximum tax rate from formerly 53 percent to 42 percent. (cf. Potthoff/Miller 2005: 382).

Another difficult task that the government saw itself confronted with was in the sphere of foreign affairs: namely the war in Kosovo. The most important question therein was, whether or not Germany – due to its recently increased importance and influence in international politics – should join the NATO mission against Serbia that aimed to stop the expulsion policies of the Serbian ruler Slobodan Milošovic. The government decided to join and especially Vice-Chancellor Fischer as well as Minister of Defence Rudolf Scharping (SPD) argued lesser with the historic German maxim deriving from World War II – “never again to war” – rather than with the obligation to stop and holdback genocidal tendencies in the respective area, if necessary also with military means. Even if the German duty, which was also required due to alliance policies, led to several controversial discussions within the SPD, it was nonetheless approved by a majority of the party. This can certainly be seen as the success of a plea for support carried out by Erhard Eppler, the most important social democratic representative of the peace movement in the late 70’s and early 80’s. (cf. Faulenbach 2012: 126-127).

In light of the upcoming federal elections in 2002 Potthoff/Miller (2005) emphasised:

“Presenting a convincing image in the media was just as vital for the Schröder government as were its actual achievements: sorting out state finances, the Riester pension, foreign policies. Chancellor Gerhard Schröder was the SPD’s strongest card. The Bundestag election on 22<sup>nd</sup> September 2002 came down to a race between the Bavarian challenger, Edmund Stoiber, and Gerhard Schröder, who had demonstrated that he was capable of leading unified Germany through difficult terrain. With his charisma and skill at using the media to get his message across, he and the Social Democrats held a very decent hand.” (Potthoff/Miller 2005: 387).

Nevertheless, Defence Minister Scharping as well as Justice Minister Herta Däubler-Gmelin resigned during the election campaign, after they tripped over affairs – even if these were seen as exaggerated by the media. (cf. Faulenbach 2012: 127).

## IV.2 2002-2005 Schröder II

The German federal elections on 22<sup>nd</sup> September 2002 were mainly shaped by their very tight outcome. SPD and CDU/CSU were merely some 9.000 votes apart - in advantage for the Social Democrats. Accordingly, both parties achieved 38.5 percent of the vote share, resulting in slight losses for the SPD and marginal gains for CDU/CSU compared to the previous ballots. (cf. Potthoff/Miller 2005: 397). Faulenbach (2012) indicates three main reasons for this outcome and the subsequent continuation of the red-green coalition: the weakening of the CDU/CSU due to its donations scandal, Schröder's refusal to enter the war in Iraq as well as his crisis management throughout the widespread flood catastrophe in the previous summer in East Germany. (cf. Faulenbach 2012: 127). Additionally, Potthoff/Miller (2005) accentuate that "Schröder had more political media savvy during these times than his rival Stoiber" (Potthoff/Miller 2005: 397).

Especially the Chancellor's compelling attitude towards the war in Iraq was subsequently seen as the election's decisive factor. Contrary to its actions during the war in Kosovo, the Schröder administration this time acted in concordance with the SPD and the German people, when it – alongside with France and Russia – refused to join the military intervention of the USA and UK led by George W. Bush and Tony Blair. By this, Schröder proceeded with the policies of the former social democratic Chancellors Brandt and Schmidt, which as well pursued a certain autonomy towards interests and objectives of the USA and the UK, regardless of an alliance loyalty and a principal western orientation. Hence, Schröder achieved reputation as a "Chancellor of peace". (cf. Faulenbach 2012: 127).

Once again exactly one month after the polls Schröder was re-elected as Chancellor for his second term in office with three more votes than initially required, despite the fact not all of them belonging to the government coalition. (cf. Potthoff/Miller 2005: 399).

Subsequent to the elections the Federal Republic of Germany faced uneasy times:

"The economy was stagnating, unemployment was rising, tax revenues were collapsing, and public expenditure was growing due to the burden of benefit payments. It was seen as a shot across the bows when the EU Commission instituted proceedings against Germany, once a watchword for stability and financial solidity, because of its balance on payments deficit." (Potthoff/Miller 2005: 403).

Facing these challenges Schröder was urged to act. Accordingly, "[i]n a government statement of 14<sup>th</sup> March 2003, he pressed on with his Agenda 2010, with which he sought

to cut social spending in order to boost the economy and bring some movement to the labour market.” (Potthoff/Miller 2005: 403). This plan was generally a set of reforms in order to counter the high unemployment as well as the high state expenditures. The most important elements of the Agenda 2010 were: a limitation of the receiving period for unemployment benefit, a merging of social security and unemployment benefit, a more flexible labour market and therefore an easier hiring and firing of employees as well as reforms of the pension and healthcare system. (cf. Potthoff/Miller 2005: 403-404).

With these measures, which mainly drew back to the work of the Chancellery Minister Steinmeier, the competitiveness of the German industry should be meliorated, and the welfare state reconstructed. Reconstructed in such a way that it should increasingly serve an activation of the people, therefore demanding more responsibility from the individual by a system relying simultaneously on assisting and demanding as well as on self-contribution and -responsibility. Nevertheless, these actions did not intend a reduction, rather than a reconstruction of the welfare state in the face of a toughening economy due to globalisation. Chancellor Schröder emphasised this by stating, that either Germany modernises itself as social market economy or will otherwise be modernised by the uncontrolled forces of the market itself which would edge out all the social issues and matters. (cf. Faulenbach 2012: 128-129).

By enforcing his ideas, Schröder saw himself confronted with major criticism not solely coming from other parties, the media or the German people, but certainly from fellow party members and unionists, who expressed their disgruntlement towards his plans. (cf. Potthoff/Miller 2005: 405). It were especially the latter ones “who equated social democracy with the striving for social justice and equality could simply not accept that cuts to the social safety net had become unavoidable.” (Potthoff/Miller 2005: 406). Focal point within the disagreement was the so called ‘*Hartz-IV-law*’ which merged social benefit and unemployment benefit at the lower level of the first one. According to the new law, people that have been without employment for more than twelve months should merely receive a basic provision. Critics saw this as a breaking with the up to then existing welfare state. (cf. Jun 2018: 479; Faulenbach 2012: 129). On 1<sup>st</sup> June 2003, however, Schröder made his plans a prerequisite for his continuation in office during a special party convention. By doing so, the Chancellor secured the party’s approval, which finally amounted to 90 percent of the delegates voting in favour of his ideas. Partly because the party’s left wing did not have an alternative concept and rather confined itself in conservatism by protecting the already existing welfare state regulations. (cf. Potthoff/Miller 2005: 404-406; cf. Faulenbach 2012: 129-130). By this, Schröder was not solely “demanding painful concessions from many of

those in his party, who felt strongly committed to social issues[,] [h]e was now acting as a Chancellor whose main duty was to the country, and who saw his task as using his office to make Germany fit for the challenges of globalisation.” (Potthoff/Miller 2005: 404). Summarising, Potthoff/Miller (2005) indicate that he “left the party with no choice but to follow him along this road of reform, whether out of conviction and loyalty or reluctantly and under protest.” (Potthoff/Miller 2005: 404).

A consequence of the Agenda 2010 was an exodus of SPD party members, especially unionists, since they no longer considered the party an advocator of trade union related actions within the political sphere. A further aftereffect was the establishment of another protest movement mainly advocated by the East-German PDS and some trade unions in West Germany. This cumulated in the newly formed party “Arbeit und Soziale Gerechtigkeit – Die Wahlalternative” (“Labour and Social Justice – The Electoral Alternative”) (WASG) with Lafontaine as their leader. (cf. Faulenbach 2012: 130). According to Nachtwey/Spier (2007) and Faulenbach (2012), the Agenda 2010 contributed to an increasing distance between the government and the SPD itself and also put the party’s sense of identity into crisis, especially as its role as protecting power of the ‘small people’ was called into doubt. (cf. Faulenbach 2012: 130).

In 2004 Chancellor Schröder gave up the party’s chairmanship and transferred it to Müntefering in order to free himself from the duties involved and to appease the party and its members, after their relationship got increasingly tense. Müntefering’s task was to integrate and unify the party again without questioning and endangering the Agenda-process and to work on a new fundamental programme as well. (cf. Faulenbach 2012: 130-131; Spier/von Alemann 2013: 445). However, the Social Democratic Party remained consisting of two opposing camps: the modernisers in favour of Schröder’s Agenda policies and the traditionalists, which intended to preserve the existing welfare state. (cf. Jun 2018: 472).

The following year of 2005 turned out to be a very difficult one for the SPD as well. In February the party lost the local state elections in Schleswig-Holstein. But a fortiori the loss of the elections in the state of North Rhine-Westphalia “resembled a real disaster” (Potthoff/Miller 2005: 413). Especially, since the state “had become the home and heartland of German social democracy” (ibid.) after the party had gained the leading majority in 1966 and had continuously occupied the government for nearly four decades. (cf. Potthoff/Miller 2005: 413; cf. Faulenbach 2012: 131).

Yet, in the night of the polls party leader Müntefering and Chancellor Schröder informed that they would call for snap elections in the consecutive autumn. Respectively,

Potthoff/Miller (2005) point out:

“For the party this surprising move came almost completely out of the blue. On sober reflection, this step was not quite so surprising. A further agonising year in office, of muddling through and stagnation, would have certainly demotivated the SPD even more.” (Potthoff/Miller 2005: 414).

And Faulenbach (2012) adds, that by this the party wanted to prevent being permanently blocked in the CDU-dominated Bundesrat – Germany’s second chamber. (cf. Faulenbach 2012: 131).

According to Article 68 of the German constitutional law, the Federal President may dissolve the Bundestag within 21 days following a proposal of the Chancellor, given the fact that he has not found a majority in Parliament in a motion of confidence. (cf. Bundestag 2010: 56). Subsequently, on 1<sup>st</sup> July 2005 Schröder lost the motion of confidence within the Bundestag and on 21<sup>st</sup> July 2005 the Federal President Horst Köhler fulfilled his duty and called for new elections which was approved by the Federal Constitutional Court on 25<sup>th</sup> August in the same year. (cf. Potthoff/Miller 2005: 415).

### IV.3 2005-2009 Grand Coalition I

In the 2005 general elections both SPD as well as CDU/CSU decreased their percentages according to their previous election results. However, the Union of CDU/CSU now led the polls with a total vote share of 35.2 percent being one percent ahead of the Social Democrats. (cf. Potthoff/Miller 2005: 416). Despite performing better than initially expected, the SPD had to adapt and accept, after CDU/CSU and Liberals could not agree upon a common coalition that it would become the minor partner in a CDU/CSU-led grand coalition. Making it the second one in the history of the Federal Republic of Germany. As a consequence, Gerhard Schröder withdrew from all his positions. (cf. Jun 2018: 472).

Potthoff/Miller (2005) examine that, in “continuing to pursue the projects [Schröder] had initiated with the Agenda 2010, the Grand Coalition is set to bring the country further back on course, to consolidate the budget and introduce the urgently needed reform of federalism.” (Potthoff/Miller 2005: 422). Faulenbach (2012) highlights that even as the coalition’s junior partner, the SPD shaped the government programme to an extraordinary extent, while Merkel and the CDU/CSU shifted away from their neoliberal positions. (Faulenbach 2012: 132).

Subsequently, the SPD ministers were generally successful. Minister for Foreign Affairs Steinmeier, acted very cautious, Minister of Finance Peer Steinbrück consolidated the nation’s budget, even achieved a balanced budget in 2007 and took fast and responsible actions during the initial phase of the international financial and economic crisis. Furthermore, Minister of Labour Müntefering and his successor Olaf Scholz tackled topics like the financing of pensions, the raise of the pension age towards 67 as well as stabilising the labour market in general. Most of the attention, however, was drawn towards Chancellor Merkel, which discovered foreign and European politics as her favourite field, in which she performed well. Nevertheless, it needs to be emphasised that the achievements of the coalition remained greatly hidden to the general public due to the almost constantly ongoing disputes between both coalition partners. (cf. Faulenbach 2013: 132).

Unexpectedly short after the elections Müntefering resigned as party chairman since he was unsuccessful in implementing his desired candidate Kajo Wasserhövel for the office of the party’s general secretary. He was succeeded by Brandenburg’s Prime Minister Matthias Platzeck, who also resigned within less than five months in April 2006 due to health issues. He was replaced by the Prime Minister of Rhineland-Palatinate Kurt Beck, who had served as one of the party’s deputy chairmen until then. (cf. Faulenbach 2012: 133).

At the same time another issue for the SPD was whether a coalition together with the

Left Party within the West German federal states was possible or not. In January 2008 the party succeeded under its front runner Andrea Ypsilanti in the elections in the State of Hesse. However, a coalition together with the Green Party had no overall majority in seats. Although Ypsilanti firmly excluded a coalition with the left-wing party Die Linke during her campaign, she changed her opinion after the polls in order to achieve a necessary majority. This caused protests within her party as well as among the general public. Four SPD-parliamentarians refused to follow Ypsilanti in her second attempt to be elected as Hesse's Prime Minister and she consequently failed. Yet by then, a coalition with the Die Linke remained problematic for parts of the Social Democrats and the German public. Mainly due to the historic experience and some of the political viewpoints of the party itself – being the direct successor of the former East-German Marxist-Leninist “Sozialistische Einheitspartei Deutschlands” (“Socialist Unity Party of Germany”) (SED). But as well given the fact of the certain role of Oskar Lafontaine within it – evolving from being a former SPD chairman to its direct political opponent after withdrawing from the party and establishing another one with the WASG. (cf. Faulenbach 2012: 133).

On 7<sup>th</sup> September 2008, Beck resigned as chairman and simultaneously Steinmeier was nominated Chancellor candidate for the upcoming elections. His team consisted of known ministers as well as of, by the time, relatively unknown politicians. (cf. Faulenbach 2012: 133).

Referring to the general policies carried out by the great coalition, Faulenbach (2012) points out that these were, even within the CDU-led ministries, at least partially social democratic. A further achievement of the SPD during the time of the grand coalition was the adoption of a new fundamental programme at the party's national convention in October 2007 in Hamburg – a programme which had been under debate since 1999. It displayed the extensive approach of the SPD taking the new challenges such as globalisation and its contradictions, the radical changes in current society as well as the problems of democracy serious and meeting them with modern social democratic answers. Accordingly, the programme emphasised the advancement of the European Community, the preventive welfare state, gender equality, a supportive civil society within a functioning democratic state as well as educational policies as its main elements. (cf. Faulenbach 2012: 133-134).

According to Faulenbach (2012), the Social Democrat's consecutive election campaign lacked polarising topics in comparison to the one of CDU/CSU. The Agenda 2010 was still lingering, but overall the SPD missed a realistic power perspective since no one aspired a relaunch of a grand coalition but also no other coalition was conceivable. The author emphasises that this contributed to the fact of a party lacking self-confidence



regarding the representation of its own politics and policies. Consequently, all of this resulted in the election disaster and the SPD achieving solely 23.0 percent – the party's lowest figure within a German federal election so far – while CDU/CSU achieved a vote share of 33,8 percent. (cf. Faulenbach 2012: 134).

#### IV.4 2009-2013 Opposition

Some commentators used the election outcome to declare it a symptom of the upcoming end of social democracy, rather than the result of merely a certain constellation. However, Faulenbach (2012) declares this assumption as being rather far-fetched, since fundamental social democratic positions found an increasing approval throughout the German society and also because the CDU/CSU tended to shift programmatically towards the SPD. Accordingly, this latter fact was considered as 'socialdemocratisation' of the Union itself. (cf. Faulenbach 2012: 134).

After the elections, the party's loss of 11.2 percent led to a government formed by CDU/CSU and FDP. Subsequently, Müntefering withdrew as Chairman and was succeeded by the former Minister of Environment Sigmar Gabriel. The position of the Secretary General was taken over by Andrea Nahles, who had served as one of the party's deputy chairman until then. Furthermore, Steinmeier and Steinbrück retired as deputy chairmen and were replaced by Olaf Scholz, Klaus Wowereit and Manuela Schwesig. Simultaneously, Steinmeier was elected as leader of the party's parliamentary group. (cf. Jun 2018: 473).

Under Gabriel's leadership the SPD, nevertheless, started a broad reform discussion and stabilised itself in the following time. Hence, the party achieved primarily successes in the local state elections in Schleswig-Holstein (27<sup>th</sup> September 2009), North Rhine-Westphalia (9<sup>th</sup> May 2010), Hamburg (20<sup>th</sup> February 2011) and Lower Saxony (20<sup>th</sup> January 2013) where Torsten Albig, Hannelore Kraft, Olaf Scholz as well as Stephan Weil respectively replaced their CDU predecessors. (cf. Faulenbach 2012: 134).

Subsequently, Steinmeier and Gabriel announced, that the former Finance Minister Steinbrück would lead the party in the 2013 general elections as Chancellor candidate against Chancellor Merkel. His nomination took place on 1<sup>st</sup> October 2012. At the same time, it was expressed that the party favoured a new edition of the red-green coalition and therefore also excluded a coalition with the left-wing party. (cf. Jun 2018: 473).

## IV.5 2013-2017 Grand Coalition II

However, in 2013 the SPD achieved 25.7 percent of the total vote share in the consecutive general elections. This displayed the first gain in votes since 1998 but was still not sufficient for the aimed coalition with Alliance 90/The Greens. Since the FDP did not receive enough votes to meet the five percent threshold in order to maintain within the Bundestag, CDU/CSU had to seek a new coalition partner. The Union subsequently began exploratory talks with the Social Democrats. This eventually led to a new edition of a grand coalition. However, becoming only possible after the approval of a SPD member vote on the content of the coalition agreement between both parties, which had been made a prerequisite by the Social Democrats prior to the elections. Subsequently, more than three-quarter of the party members favoured the Grand Coalition, while the turnout was about 70 percent of the total party membership. As a consequence, the SPD re-joined a coalition together with CDU/CSU, leading to the third cabinet under Chancellor Merkel which was sworn in on 17<sup>th</sup> December 2013. Party leader Gabriel became Vice-Chancellor as well as Minister of Economy and Steinmeier was once again appointed as Minister for Foreign Affairs after having served the office between 2005 until 2009. He held the position until January 2017 before announcing his candidacy for the office as Federal President. On 12<sup>th</sup> February 2017 he was elected as Germany's Federal President and was followed in his former position by Sigmar Gabriel, who himself was succeeded by Brigitte Zypries. (cf. Micus/Walter 2017: 65; Jun 2018: 473).

Throughout the Grand Coalition the SPD was accountable for a variety of successes. Inter alia can be stated the introduction of a minimum wage at 8.50 Euro per hour, a statutory quota of 40 percent of woman in the boards of listed companies, the reform of the Renewable Energy Act as well as reforms within the parental allowance, nursing, day care and as well within the pension system, which included a minimum pension as well as a pensioning at the age of 63 for some age groups. (cf. Niedermayer 2018: 115; Jun 2018: 473).

With the beginning of the election year 2017, Gabriel renounced to run as Chancellor candidate and instead favoured Martin Schulz, who served as President of the European Parliament by then. Subsequently, Schulz was nominated as the SPD's Chancellor candidate by the party's executive committee and received 100 percent of the delegate's votes at a special party convention and was accordingly confirmed as leader of the party. Simultaneously, the SPD went up in the nationwide survey polls by around 10 percent and was hence vis-à-vis with the CDU/CSU by the end of spring 2017. Additionally, the party

recorded several thousand new member entries at the same time. All of this was subsumed by the media as the “Schulz-hype”. (cf. Niedermayer 2018: 119-120; Jun 2018: 473).

However, the increase in popularity merely lasted a few months and the party consecutively lost all of the upcoming local elections in Saarland, Schleswig-Holstein, as well as in its “heartland” North Rhine-Westphalia.

Subsequently, the party obtained solely 20.5 percent of the total vote share in the German federal elections in September 2017 – marking it therefore the lowest number since the Second World War and therefore since the establishing of the German Federal Republic as well. By this, the party de facto halved its vote share within 19 years. (cf. Bremer 2017; ZEIT Online 2017).



## **V. The Agenda 2010 reforms and the downfall of the SPD**

The subsequent section of this thesis depicts its principal part. It divides into three different parts and can hence be seen as a three-step analysis, consisting of background, reasons – in the meaning of actions of the party itself - and consequences. Finally, a summary is provided. The initial section displays the specific reforms of the Agenda 2010 and their respective background that they were embedded in. It is pursued by the reasons, a term used to provide a better comprehension. This section refers the actions and measures initiated and carried out by the SPD while implementing the reforms themselves. Thirdly the reform's consequences in the light of its effects onto the party itself are being displayed. By this it becomes obvious, that the following part outlines the essential part of this Master Degree thesis in hand: hence linking together background, measures and consequences of the Agenda 2010 and the SPD itself, regarding its decline in overall significance and therefore its present crisis. As mentioned, these three sections are followed by a summary which identifies and compromises the parallels drawn between the downfall of the party and its reforms. At this point it ought to be emphasised that a certain difficulty is given the fact to explicitly distinguish whether something either needs to be categorised as a measure and therefore reason, or rather as a consequence of the Agenda 2010. Even both possibilities seem to be valid in some aspects. However, due to separation precision, to avoid intersections and for the sake of simplicity, it was attempted to classify each matter according to best knowledge and belief respectively in one of both distinctions.

### **V.1 Background**

In the 1998 general elections the SPD was able to succeed, not simply by becoming the strongest party, but especially in the balancing act of combining the traditional left as well as its neoliberal part. Or as these groups were then considered within the party: traditionalists and modernisers. Both being individually represented by Lafontaine and Schröder respectively. By teaming up, the pair underlined that in particular left as well as neoliberal economic policies can go hand in hand. The party subsumed this with the slogan 'innovation and justice'. This double strategy and dual leadership were seen as "a reasonable concept in order to solve the social democratic dilemma" (Micus/Walter 2017: 69). A dilemma, since the SPD had to preserve its tradition on the one hand, but on the other one ought not to isolate and exclude itself from modernity. The party therefore attempted to appeal to both parts of the electorate: accordingly, Lafontaine represented the social

democratic traditionalists while focussing on the social imbalances within German society and blaming neoliberalism to be responsible for it, while Schröder approached and addressed the voters that were torn between CDU/CSU and SPD. Considering this, the duo reflected the nations' inherent ambiguity since a majority of the country was favouring innovations but did not seek for specific proposals leading in such a direction. In this sense both of them personified "anxiety" as well as "optimism" and promised "anti-reform" and "reform" simultaneously, as Micus/Walter (2017) emphasise it. (cf. Micus/Walter 2017: 69). The electoral success in the 1998 general elections proofed this two-track strategy right. However, it also needs to be considered that this victory had also been influenced by the general disenchantment of the German people with the CDU/CSU led government under Chancellor Helmut Kohl lasting from 1982 until 1998. A further influential factor was that the SPD modernised its electoral campaigning technics and successfully applied political marketing. (cf. Grunden et al. 2017: 116; Micus/Walter 2017: 69; Reibenstein et al. 2013: 61, 128, 130).

Even if the election results seemed to be obvious, it was due to the ambiguity of a majority of the German people that there was "no clear signal (...) no predetermined will tendency of the demos" (Micus/Walter 2017: 69). Referring this circumstance to the clientele of the SPD can be said that some were favouring neoliberal policies while others were seeking protection and safety. This balancing act led Micus/Walter (2017) to the conclusion, that regardless where the SPD's journey was heading after this initial success, there had to be an affront to either of both sides: not merely within the electorate, but especially among those having set their confidence into the social democrats. (cf. Micus/Walter 2017: 69).

On 11<sup>th</sup> March 1999 a first cesura happened with the resignation of Lafontaine as Minister of Finance as well as chairman of the SPD. It had been preceded by an increasing conflict between him and Schröder over their individual perspectives. Less than a year after the electoral success, the SPD found itself riven by two opposing party wings. A quarrel however which was subsequently won by Schröder and his neoliberal supporters. (cf. Grunden et al. 2017: 116; Potthoff/Miller 2005: 367).

Subsequently, the Chancellor also took over the position of the SPD's chairperson. (cf. Faulenbach 2012: 124). Financial policies of the red-green coalition changed when Hans Eichel took over the ministry of finance. This marked a "180 degree" turn away from Keynes towards economic liberalism. (cf. Grunden et al. 2017: 116). On 8<sup>th</sup> June 1999 in his new position Schröder, together with his British counterpart Tony Blair, launched the so called "*Schröder-Blair-Paper*", a draft concept promoting modernisation of the European social democracy, while focussing on neoliberal policies. (cf. Potthoff/Miller 2005: 371).

Consequently, the SPD won the federal elections in 2002 as well. This was exceptional in that regards, since the party never succeeded in two subsequent general elections in the German Federal Republic's history. (cf. Reibenstein et al. 2013: 98). However, although the SPD could by now be declared rather settled after its initial disputes, the overall course of the red-green coalition until 2003 can be labelled a "zig-zag" one. (cf. Micus/Walter 2017: 70; Reibenstein et al. 2013: 113).

Until on 14<sup>th</sup> March 2003 another cesura occurred when Chancellor Schröder introduced the Agenda 2010 in a government declaration in the German Bundestag. The set of reforms aimed to restructure the German welfare and social state in order to regain national and international economic competitiveness. Schröder himself subsumed his step by stating:

"We will have to curtail state benefits, promote personal responsibility and demand more personal contribution from each individual. All forces of society will need to make their contribution: employers and employees, freelancers and also pensioners." (Bundestag 2003: 2479-2480).

Such a program became necessary, since Germany by the turn of the century was, economically speaking, considered the "sick man of Europe" (Economist 1999). Expressing itself in a stagnating economy and rising unemployment, a collapsing of tax revenues as well as by increasing public expenditures and especially by the fact of the European Commission introducing actions against Germany for contravening the Maastricht criteria due to its accumulated deficit. (cf. Potthoff/Miller 2005: 403). Hence the Chancellor emphasised:

"Either we modernise as a social market economy or we will be modernised by the unrestrained forces of the market, who would edge aside all social affairs. The structure of our social systems has remained practically unchanged for 50 years. (...) The transformation of the welfare state and its renewal have become irrefutable. It is not about giving it the mortal blow, but about preserving the substance of the welfare state itself. Therefore we need radical changes." (Bundestag 2003: 2481).

Accordingly, the Agenda 2010 itself addressed a very complex and sophisticated set of measures: it stretched over economic, financial and socio-political areas and contained a tax and a municipal finance reform, new investment programmes, new labour market policy tools as well as changes within the labour market, social law and pension system and also



a reform of the healthcare sector. Generally speaking, it aimed to promote labour market flexibility and to reform the existing welfare system in order to lead towards more growth and employment. (cf. Hassel/Schiller 2010: 250).

Specific measures of the Agenda 2010 were: in economic terms, the promotion of the mid-sized sector by changing the crafts code and adapting it to European law. Establishing a business was thus also possible without a master craftsman's certificate. Furthermore, one should point out the introduction of a more relaxed dismissal protection and the lowering of company non-wage labour costs by increasing the social security contributions of employees. Referring to education and educational policies needs to be acknowledged that special training facilities for adolescents were established which also included a job training by assistants without master craftsmen's certificate. Regarding educational policies the set of reforms included a raise in public educational expenditure by 25 percent within five years, a reform of the BAFöG<sup>6</sup> in order to enable more people to attend universities as well as investments of four billion Euro to promote all-day schools in order to achieve a more intense education of school students. Speaking of health reform, it needs to be stated that the statutory health insurance was modernised by the Agenda 2010. As a consequence, many formerly included benefits of the state mandated health insurance were cancelled. From then on, a self-financing contribution of two percent of the gross salary, or one percent for chronically sick people, as well as the so called 'practice fee' of ten Euro per quarterly period for family doctors and dentists were introduced. The individual excess for medication was raised and sick benefits were no longer divided by employers and employees but now solely carried by the employees. All of this aimed to directly lower the non-wage labour costs. Mentioning aspects related to the statutory pension scheme it has to be stressed that the individual pension contributions ought to remain at 19.5 percent of the individual gross salary. Accordingly, the pension formula was added by a sustainability factor. Although it was initially taken into consideration, the pensionable age was not raised by the reforms. Also reinforced were investments in policies for children below the age of three as well as for all-day schools. (cf. Bundestag 2003).

However, most significant and also most popular element of the Agenda 2010 became the changes in labour market policies, better known as the "*Hartz-laws I-IV*", which

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<sup>6</sup> BAFöG, short for Bundesausbildungsförderungsgesetz (Federal Training Assistance Act), states and regulates students grants and loans for German high school and university students. It aims to enable student's training irrespective their and their families' financial means. Through it the German state covers living expenses and fees of trainees. Level and amount of BAFöG payments depend on individual factors such as individual and family income and assets. The current maximum is 735 Euro per month. By the end of their education students have one decade to repay a maximum of 50 percent of their given grants at no interest rates. (cf. Bundesministerium für Bildung und Forschung 2019).

included stark changes in the labour market.

Law I and II released temporary and subcontracted employment from bureaucratic regulations. Jobs up to 800 Euro per month were freed from social security contributions. Law IV stated that the receiving period of unemployment benefit (“Arbeitslosengeld”), which formerly had been linked percentage-wise to the salary-level of the most recent period, was limited and cut from 32 to twelve months, or 18 months for the people above the age of 55. The unemployment assistance benefit (“Arbeitslosenhilfe”) was abolished. The formerly separated means of unemployment assistance benefit as well as social welfare benefit (“Sozialhilfe”) were from now on merged at the lower level of the former social welfare benefit. It was labelled “unemployment benefit II” (“Arbeitslosengeld II”) and could be requested from unemployed people once the initial unemployment benefit expired after its twelve or respectively 18 months. The law initially envisioned 345 Euro per month for a single person in West- and 331 Euro for those in East Germany as well as 622 Euro (West) and 596 Euro (East) for couples that were living together. 207 Euro (West) and 199 Euro (East) were granted for children until the age of 14 as well as 276 Euro (West) and 365 Euro (East) for those in between 15 and 18 years. The individual reception of the unemployment benefit II was coupled with indigence, meaning that payments were only approved and granted when individual assets and incomes were below certain limits. Therefore, potential recipients had to reveal their financial status including their children and pension savings among others. If these limits were exceeded payments were not provided until the private assets were consumed up to the free allowance threshold. Exacerbated were also the rules for reasonable- and appropriateness. Accordingly, every work was regarded as acceptable if it was neither illegal nor immoral and unless serious health reasons or caring for children or relatives would not be endangered due to it. Hence, it was irrelevant whether or not the formal qualification of the unemployed was significantly higher than the one needed for the new position and whether the job offered merely guaranteed a living wage. In the case of not accepting reasonable occupations financial benefits were cut and sanctions implemented. Schröder emphasised this by stating:

“In the future, however, no one will be allowed to relax at the costs of society. Anyone who rejects reasonable employment (...) will have to expect sanctions.” (Bundestag 2003: 2485).

According to Law III of the Agenda 2010 set of reforms the former employment offices (“Arbeitsämter”) were transformed into employment agencies (“Agenturen für Arbeit”) which

were from now on responsible for the promotion and support measures of “unemployment benefit II”-recipients. (cf. Winkler 2016: 244; Reibenstein et al. 2013: 131-132; Butterwegge 2018: 189-190).

## V.2 Reasons

The following section of this thesis highlights the reasons which contributed to the effects that the Agenda 2010 had on the SPD. As mentioned earlier, these reasons are subsequently referred to as the actions of the party itself within the scope of the reforms. It also analyses and interprets them in accordance to the underlying literature. Once again it shall be stated that inherent to the following section is the difficulty of explicitly dividing between an action of the party itself and its consequences. However, it was always aimed for the most suitable categorisation possible. Other than section V.3, the following one does not seek to assess nor evaluate the actions of the SPD. It rather presents them within its framework.

Considering the actions of the SPD regarding the Agenda 2010 it has to be emphasised that its first major step was carried out and implemented by the so called "*Schröder-Blair-Paper*" and therefore by its related and interlinked concepts of the 'Neue Mitte' and the 'Third Way'. The paper launched by Tony Blair and Gerhard Schröder emphasised to reconstruct the traditional welfare state into an activating social state, including the development of a knowledge-based service society based on a new partnership between state and citizens. (cf. Winkler 2016: 143). The concepts of Third Way and Neue Mitte could be seen as the programmatic middle ground in between traditional social democracy and neoliberalism. (cf. Giddens 1998: 26). By this, the Schröder administration "aimed to bring on social and political reforms, an improvement in the labour market, innovations, and a modern economic policy." (Potthoff/Miller 2013: 377). Egle/Henkes (2003) conclude the paper by stating:

"Although the paper starts with a verbal curtsy towards the values of social justice and solidarity this is followed by reckoning with social democratic policies implemented over the past decades: since these would have orientated themselves too far on social equality as a consequence rather than on social equality as an imperative. Moreover, state expenditure and tax liability for households and companies would be too high and the weaknesses of the market were overestimated and its strengths underestimated. In the future the state ought to steer more than to paddle as well as act less controlling and instead more challenging. (...) Product, capital and labour market should all be deregulated and be made more flexible." (Egle/Henkes 2003: 77).

Stöss/Niedermayer (2000) emphasise that the paper's neoliberal character reveals itself by opposing massive state interventions and instead promoting cuts in government

expenditure, a supply-oriented agenda, an increase of entrepreneurial flexibility as well as a reduction in non-wage labour costs and taxes. (cf. Stöss/Niedermayer 2002: 6). Hence, it can be stated that the paper could be regarded as a “blueprint for all following Agenda-reforms” (von Lucke 2015: 46).

Prior to connecting the “Schröder-Blair-Paper” and its concepts of Neue Mitte and Third Way with the reforms of the Agenda 2010, Hassel/Schiller (2010) emphasise:

“Social Democratic parties whose declared goal of the past 100 years has been to defend the economic interests of the working population and to build and defend social protection mechanisms have increasingly been facing the question of how to pursue this goal in the 21<sup>st</sup> century. The answer to this question was not easy to find since even a stoppage in social policy could certainly mean a step backwards in securing large sections of the population. The continuing crisis in the labour market increasingly threatened to undermine social security systems. As long as people did no longer contribute to social security systems their future was uncertain. As social risks and economic structures change, social security systems need to be readjusted. The question was how.” (Hassel/Schiller 2010: 144).

Referring generally to the Agenda 2010 and their reforms can be emphasised as stated by Hassel/Schiller (2010):

“They are based on a new and more liberal fundamental philosophy of the relationship between citizen and (social) state. (...) [They] advocate an increasing individual independence from the state and its services. It is no longer the caring and providing welfare state, but the preventive and activating state that underlies these concepts.” (Hassel/Schiller 2010: 184).

Butterwegge (2018) highlights that the general concept of the Agenda 2010 was a neoliberal tendency following an Anglo-Saxon model aiming to overcome a weakness in economic growth through more innovations and competition in the social system and labour market. (cf. Butterwegge 2010: 202).

Referring especially to the labour market flexibility it needs to be emphasised that by this an appropriate balance between those who fill a job, and those who are unemployed was expected to be obtained. (cf. Meyer 2002: 2-3). Meyer characterises this by postulating:

“According to the current labour market conditions it is justifiable to make the labour market, the working hours and the employment service more flexible to such a manner and extend

that the work resources available at an attainable growth are being fairly distributed among all employable people. Hence the social security needs to come from three sources: from the guarantee to quickly return into the labour market after a job loss, from the guaranteed chance of continuing training and education and from the network of basic social security and provision. Equality ought to be ensured as the same chance of all to participate in the gainful employment available.” (Meyer 2002: 2-3).

By this, Meyer (2002), in accordance with Giddens (1999), also focusses on ‘promoting and demanding’ [‘Fördern und Fordern’] as an essential concept for the programmatic route of the German social democrats. Social security, he says, shall be defined as a security deriving from a reciprocal service agreement. Such an agreements should be based on granted services and return-services, also stating the imposing of conditions under which the services granted could not be expected anymore. Accordingly, he refers to “social security as a solidarity agreement with reasonable mutuality” (Meyer 2002: 4). (cf. *ibid.* 4).

The SPD pursuing such policies can be seen, in its conviction regarding liberalism and its related strategies, as the only option to tackle and overcome the problems of the German economy and its welfare state by modifying it. In this regards Chancellor Schröder and the party’s modernisers furthermore orientated themselves along the Anglo-Saxon economic model which by the time was considered as the recognition of economic competence per se. Implying therefore the reduction of taxes, a partial privatisation of the state pension insurance and an increasingly flexible labour market. (cf. Grunden et al. 2017: 41-42). Schröder himself emphasised this by saying:

“Part of the reform and renewal is to question some claims, regulations and benefits of the German welfare state. A lot of what dates back to the beginnings of the welfare state in the era of Bismarck has lost its urgency and thus its legitimacy today, even if it might have been self-evident and justified 30, 40 or 50 years ago.” (Bundestag 2002: 52).

The Chancellor “was a confident performer on the international stage (...) [and] represented German as well as European interests with dignity and the appropriate clarity.” (Pottthoff/Miller 2015: 380). Nevertheless, he did not label his set of reforms in a social democratic manner. He furthermore ignored doubts and concerns of substantial parts of the party and rather continued carrying out what he considered his ‘Basta politics’ – a manner being characterised by dismissing vast parts of the party and governing with the help of the media and a few elite party members – in order to implement his policies. (cf. Reibenstein et al. 2013: 132-133). By this the party initially gave way to a pragmatism of government that

excluded members and supporters and was merely carried out by the party executive. (cf. Grunden et al. 2017: 118-121). Hence, Walter (2009) highlights:

“The party appeared less left and more governmental than ever before in its long history. For the first time the SPD occurred to be a chancellor voting association [“Kanzlerwahlverein”] who hardly resembled a self-willed party with an independent decision making, a stubborn inner life and audacious future projects.” (Walter 2009: 298).

When the protests against the reforms shifted away from the party itself and into the trade unions and NGO’s, the Chancellor took advantage of the occasion and relocated the political orientation of the party into the middle of the party spectrum. (cf. Hasel/Schiller 2010: 147).

Concluding the actions of the SPD within the scope of the Agenda 2010 set of reforms Grunden et al. (2017) state:

“Once again the social democratic government (...) will not break with capitalism. It thinks to submit itself to its rigid law: Reduction of corporate and progressive income tax rates in a historic proportion, partial privatisation of the statutory pension insurance and a simultaneous decrease of the pension level as well as an increase of labour market flexibility and benefit cuts for unemployed people.” (Grunden et al. 2017: 41).

However, the set of reforms cannot be seen as a “stringent well-composed and in parts precisely formulated concept” (Micus/Walter 2017: 70). Reibenstein et al. (2013) follow the same argument. Furthermore adding, that with embarking onto the reforms the party programmatically did not provide a self-contained and integrated overall concept. (cf. Reibenstein et al. 2013: 113). Leading to the fact, as stated by Walter, that a majority within the party did not know what the reform’s actual philosophy was. (cf. Schlieben 2000). And Butterwegge (2018) states that the Agenda 2010 represented and revealed a “half-heartedness and internal contradiction of the governance” (Butterwegge 2018: 219). The reforms were rather too radical and not compatible with society as Grunden et al. (2017) emphasise. That Chancellor Schröder enforced the Agenda 2010 with a pressure accumulating in several self-imposed threats to resign, especially when resistance emerged within the SPD, is furthermore perceived as a failure. Accordingly, the Chancellor’s leadership style was labelled as authoritarian. (cf. Reibenstein et al. 2013: 113-114; Grunden et al. 2017: 18).

Hassel/Schiller conclude that the Agenda 2010 from a German social democrat’s

perspective was the attempt to change the coordinate system within the party in order to open it to the middle-class. Driven by the hope that the SPD would benefit from the reform's successful implementation as this would increase the chances for future government participation and therefore accept its new programme as well as programmatic orientation. (cf. Hassel/Schiller 2010: 161, 293).



### V.3 Consequences

Before emphasising the consequences of the Agenda 2010 onto the Social Democratic Party of Germany it needs to be said that these are also linked to the German electorate and the German people themselves. Since it is them who subsequently either express their approval and consent or refusal and dissent towards a certain political party in upcoming elections. By this it is left to their discretion whether to enable power for a political party, or not. This accentuates, that both dimensions – the party as well as the electorate – are inevitably connected to each other. Although this work merely tries to focus on the SPD itself it needs to be taken into account that both aspects cannot be regarded entirely separated and are subsequently highlighted together within the following section.

Prior to referring to the consequences of the Agenda 2010 reforms itself in a more detailed manner it is necessary to indicate that the first two major approaches into its direction were carried out and implemented by the “Schröder-Blair-Paper” and its related and interlinked concepts of the ‘Neue Mitte’ as well as ‘Third Way’. Hence, following considerations of Anthony Giddens which are characterised by politics in between classic social democracy and neoliberalism. By embarking onto these concepts, the theoretical foundation for the subsequent Agenda 2010 reforms was laid. (cf. Giddens 1998: 26; Reibenstein et al. 2013: 64, 107).

According to Hassel/Schiller (2010) the “Schröder-Blair-Paper” “breached which many traditional political beliefs of social democracy and was radical in its views.” (Hassel/Schiller 2010: 158). And Egle/Henkes (2003) emphasise that by focussing on more deregulation and flexibility it was a “reckoning with social democratic policies” (Egle/Henkes 2003: 77).

Afore embarking onto the reforms themselves, it needs to be emphasised, that by discarding Lafontaine, Chancellor Schröder dropped the latter part of their success formula ‘innovation and justice’. (cf. Nachwey 2008: 64). Accordingly, “economic liberalism permeated the SPD, its policies followed the logic of financial markets.” (ibid.). A thought that is also shared by Grönebaum/Grüger (2009) which emphasise that with Lafontaine’s withdrawal Schröder abandoned the “balancing act between economic dynamics and social justice” (Grönebaum/Grüger 2009: 2). Reibenstein et al. (2013) add that the subsequent losses of the party can be interpreted amid a “shortage of left-wing political identity figures” (Reibenstein et al. 2013: 145) since the social democrats subsequently lacked a “symbolic figure for the classical left-wing electorate” (ibid.).

Referring to the Agenda 2010 and the Hartz-laws in a more detailed manner

Butterwegge (2018) states:

“The (...) set of laws marked a historic cesura for the development of the welfare state resulting in poverty more specifically due to the shortage of the German welfare state. Especially connected with the so called ‘Hartz-IV’ act were massive changes within the labour and social law which led to a social divide and may be a burden to the social atmosphere in the Federal Republic for years to come.” (Butterwegge 2018: 188).

According to Micus/Walter (2017) the reform’s core – the Hartz-IV-law – and respectively the merging of unemployment and social welfare benefit at the lower level of the latter one implemented the “greatest benefit reduction in the German Federal social history” (Micus/Walter 2017: 71). More precisely, the authors stress the following:

“The new jobs which were since then credited to the Agenda consisted mainly of mini-jobs, involuntary short-time and part-time jobs. Countless hundreds of thousands which were precariously employed in this manner, yet at the same time lived of Hartz-IV benefits since the remuneration of their employment was not sufficient to live properly.” (Micus/Walter 2017: 70).

This mentioned merging leads Butterwegge (2018) to highlight that by this Chancellor Schröder “did not only blame the unemployed for being responsible for their own fate but simultaneously attested the platitude according to which the unemployment benefit needed to be lowered to the minimal socio-cultural subsistence level in order to force the person affected by it to take on a job.” (Butterwegge 2018: 189). Schröder himself emphasised this by questioning “some claims, regulations and benefits of the German welfare state.” (Bundestag 2002: 52).

Accordingly, the benefit cuts forced long-term unemployed people to offer their manpower at dumped prices. By this the reforms helped to establish mini- and midi-jobs and hence expanded a state subsidised low-wage sector which rather fostered unemployment and poverty instead of preventing it. (cf. Butterwegge 2018: 191, 232). Similar remarks are made by Boeckh/Huster/Benz (2011) which point out that the labour market reforms contributed to “an expansion of marginal employment (mini- and midi-jobs)” (Boeckh/Huster/Benz 2011: 216). Their amount ascended from 5.5 million people in June 2003 to 7.2 million people by June 2009. (cf. Boeckh/Huster/Benz 2011: 216). Mentioning law III and its transformation of employment offices into employment agencies Butterwegge (2018) expresses that this followed “a private sector model with modern management

concepts towards merely service companies” (Butterwegge 2018: 188).

Prior to the set of reforms Schröder held the development and rise of the non-wage labour costs from 35.5 percent in 1990 to 42 percent by 1998 responsible for the increasing unemployment that simultaneously had risen from 2.6 million people up to 4.3 million people. However, Butterwegge (2018) scrutinises that Schröder confused cause and effect since the high unemployment rate is actually the cause of the high non-wage labour costs and not vice versa as seen by the Chancellor. (cf. Butterwegge 2018: 200-201).

Reibenstein et al. (2013) point out that the “Agenda 2010 represented a fundamental impact onto the welfare state’s self-perception of the SPD” (Reibenstein et al. 2013: 132). They conclude:

“For social democrats the welfare state was traditionally a protection against unemployment as well as an institution for the personal and retirement provision. From then on, according to Schröder’s ideas, there ought to be an activating welfare state which relied more on personal responsibility.” (Reibenstein et al. 2013: 132).

In this regard Bremer (2017) emphasises that the party “retrenched the welfare state.” (Bremer 2017).

All of this was especially the matter fact since Chancellor Schröder refused to label the Agenda as explicitly social democratic policies and was hence accused of promoting neoliberal policies. (cf. Reibenstein et al. 2013: 132). Due to the pressure exercised by him on his party the SPD appeared to have become a Chancellor voting association [“Kanzwahlverein”], as expressed by Walter (2009). (cf. Walter 2009: 298). By this, a conflict was guaranteed which certainly manifested itself in the fact of Schröder ignoring the concerns and doubts of a substantial part of the party as well as of the trade unions in order to implement his radical decisions. Decisions, as mentioned before, that many supporters of the party did not perceive as social democratic. (cf. Grunden et al. 2017: 118). Schröder did not seek to convince his critics and therefore a substantial part of the SPD itself. Instead he continued with what was labelled as ‘Basta politics’: a manner which dismissed vast parts of the party, therefore committees as well as its base and rather tried to govern throughout the media and a small elite group. (cf. Reibenstein et al. 2013: 132-133). Hence, Butterwegge (2018) states that “[b]y this the Chancellor justified all steps and actions taken by him as the lesser evil, even if they pointed into the direction of a neoliberal modernisation and politically prepared the ground for even more market-radical solutions.” (Butterwegge 2018: 202). This method of governing was also labelled as a “top-down coup”. (cf.

Reibenstein et al. 2013: 133). Correspondingly the authors of "*The Future of the SPD*" certify:

"This practice of the party leadership was pursued over the subsequent years: An elite circle predetermined by the means of professional media relations the distribution of top party positions and by this evaded the party base." (Reibenstein et al. 2013: 133).

And Grunden et al. (2017) highlight:

"The attempts of the SPD leadership involving Schröder, Münterfering, Clement and Scholz trying to transform the SPD into a liberal party with a trade union wing are no innovations that bring more stability. In contrary: they destabilise. Since they address themselves against the 'core identity' of the party." (Grunden et al. 2017: 42).

Correspondingly, Reibenstein et al. (2013) speak of an alienation between party leadership and party membership, especially as a consequence of Schröder's top-down leadership approach. This contributed to the fact that many SPD supporters could no longer identify with their party and therefore no longer committed themselves to it. (cf. Reibenstein et al. 2013: 133).

Here it needs to be taken into account that the SPD's perception as a historically programmatic party is especially based on 'solidarity' and 'social justice'. However, with the implementation of the Agenda 2010 many party members saw a deep and almost insurmountable trench emerging between the reform plans and these identity-defining social democratic principles. (cf. Grunden et al. 2017: 119-121). Here Delcker (2016) states that "Schröder's reform plan (...) trampled on the party's core values." (Delcker 2016). By following this "ideology and identity the party gave way to a governmental pragmatism" (Grunden et al. 2017: 121). It also needs to be emphasised at this point that the Chancellor was far more able to adapt to a changed environment than his ponderous SPD. The Agenda 2010 set of reforms can in these regards be declared having divided SPD voters and the party itself. (cf. Grunden et al. 2017: 41, 121).

This divide expressed itself especially by a survey in 2004 which stated that solely eleven percent of the people interviewed considered that the SPD would still be able to understand the issues and problems of the citizens. (cf. Köcher 2004). This loss of confidence within society was caused by the fact that during its government period the Social Democratic Party acted against its own clientele and therefore offended and antagonised voter and member base. (cf. Grunden et al. 2017: 155-156). Similar Butzlaff/Nachtwey

(2009) state that the SPD's actions "contradicted the expectations of vast parts of the party." (Butzlaff/Nachtwey 2009: 25). Winkler (2016) points towards the fact that "the Schröder government challenged large parts of its own political camp." (Winkler 2016: 244). And Strasser (2015) mentions that social democratic principles were sacrificed to the neoliberal zeitgeist. (cf. Strasser 2015: 49). A thought also shared by von Lucke (2015) who depicts that in the past 20 years the SPD sacrificed "far too much" to neoliberalism, hence temporarily even becoming "indistinguishable". (cf. von Lucke 2015: 47). In this regards Faulenbach (2012) highlights:

"In the case of a prolonged unemployment, it was no longer about the preservation of the previous living standards of the person concerned, but only to avoid hitting rock bottom (...)." (Faulenbach 2012: 129).

Consequently Grunden et al. (2017) point out:

"The SPD does not seem to be the pacemaker of the German prosperity but instead having to pay the bill for abandoning the impoverished, unemployed and low-income workers. Alienated voting groups are being left behind which were more and more excluded by the consequences of the Agenda politics." (Grunden et al. 2017: 157-158).

During its seven years in office and instead of attracting new sections of the electorate the SPD lost voters "to an extent, unique within the German Federal history." (Micus/Walter 2017: 71). Precisely between 1998 and 2009 the social democrats forfeited half of its secondary votes, dropping from 40.9 percent to 23 percent. (cf. Grunden et al. 2017: 42).

By the end of Schröder's office period especially the party's relationship towards the trade unions – "the once most important implementing organisation of social democracy" (Grunden et al. 2017: 42) and "more than hundred years the avant-garde (...) of the SPD" (Micus/Walter 2017: 71) – could be considered as alienated, shattered and dysfunctional. (cf. Butterwegge 2018: 220; Grunden et al. 2017: 42; Micus/Walter 2017: 71). In this context Butterwegge (2018) concludes:

"Since the SPD leadership did not defend the welfare state in its fundamentally proven form, but instead sought to adapt it to the changed world market conditions by neoliberal doctrines, it had to be an opponent of trade unionists as much as the bourgeois opposition." (Butterwegge 2018: 220).

Moreover, Walter (2004) identifies that in the era of Schröder the party lost around 125.000 of its members. Let alone in 2003 around 40.000 social democrats left the SPD. (cf. Walter 2004: 9-10). Here it needs to be clarified that with the Agenda 2010 withdrawals from the party increased, because the SPD annually lost about 2.9 percent of their members in between 1990 and 2002 but 5.5 percent ever since. (cf. Reibenstein et al. 2013: 134). Here, Meyer (2018) refers to this decline in membership as an “avalanche”, dropping from around 775.000 members in 1998 (cf. Meyer 2018: 12) towards about 438.000 members by the end of 2018. (cf. Drebes 2019).

However, the mood of the German public changed regarding Hartz-IV: while in spring 2004 about two thirds were opposing the reforms, the opinions were already balanced the next autumn. And prior to the 2005 general elections a majority of the German population was subsequently in favour of the reforms. Although this did not apply to the classic target group of the SPD, and therefore its voters and members. (cf. Reibenstein et al. 2013: 133). Since “[t]he workers' support was much more restrained, and voters who judged their own economic situation as bad considered the reforms as wrong.” (Reibenstein et al. 2013: 133). This might explain the fact why the German Social Democrats have lost voters as well as members: the reforms violated the perception of justice of the ‘small’ people who were still relying on the protective welfare state which according to their beliefs especially the SPD should be a defender of. (cf. Reibenstein et al. 2013: 133-134).

The alienation of the SPD and its clientele was the driving force for another consequence: with the emerging of the WASG in 2004 a new association – which in 2005 was declared a party – resulted due to segregations from the SPD. A party, which “was primarily established from disappointed social democrats and unionists protesting against the Agenda 2010” (Reibenstein et al. 2013: 131). Hence, it can be regarded as a counter-foundation towards the SPD. In the sequel the parties WASG and PDS joined forces and established the party Die Linke in 2007, which was led by the SPD’s former chairman Oskar Lafontaine. In the further course the party established itself within the German party system as well as within the German Bundestag, certainly after the general elections in 2009. (cf. Grunden et al. 2017: 176-177). Beyond this, Die Linke received support from employers’ associations and trade unions especially as a consequence of the vanishing alliance between the SPD and the trade unions. (cf. Reibenstein et al. 2013: 134). The establishing of led Gardethis new party led Gardemin/Geiling (2009) to the conclusion that a “fundamental shift within the social democratic coordinate system” (Gardemin/Geiling 2009: 15) had occurred.

Finally needs to be said that by pursuing the Agenda 2010 the SPD itself transformed

as a party as well: according to Nachtwey (2008, 2009) it shifted away from traditional social democracy towards a “market social democracy” which he determines as a concept characterised by “[m]ore competitiveness, more flexibility and less welfare-state” (Nachtwey 2008: 64). The author states:

“The SPD is like a thirsty person alone on the high seas. With every crisis she takes an even deeper swallow from the salt water of market liberalism. In the end the thirst grows infinitely and one dehydrates internally.” (ibid.).

## V. 4 Summary

Summarising the previous section of this master thesis needs to be stated that the Agenda 2010 and its “reforms were highly controversial” (Potthoff/Miller 2005: 404). Or as Grunden et al. (2017) emphasise:

“For some it is the necessary adaptation to the far-reaching changes in the world of labour and the globally interlinked economic markets, while for others it is the deathblow to social protection in Germany.” (Grunden et al. 2017: 156).

This being especially the matter fact since the SPD left the “intermediate position in between social justice and economic dynamic [and] transformed towards supply-oriented market-based politics” (Reibenstein et al. 2013: 130) by implementing the set of reforms. Furthermore, it was the attempt of several party executives to transform the “SPD into a liberal party with a trade union wing” (Grunden et al. 2017: 42). Similar regards Nachtwey (2008, 2009) the implementation of the reforms as a transformation of the SPD from traditional social democracy towards what he labels as “market social democracy” (cf. Nachtwey 2008, 2009).

Micus/Walter (2017) state that the German workforce was worse off by the end of Schröder’s chancellorship than by its beginning in 1998. (cf. Micus/Walter 2017: 71). An example of this is the increase of precarious employment. (cf. Reibenstein et al. 2013: 143). Hassel/Schiller (2010) conclude that the Agenda 2010 led to an “increase of poverty, of new social exclusion, decline and pittance (...) within broad parts of society, and not solely in the poorer social strata but especially within the middle class (...) and therefore became the epitome of social cuts, fear of social decline as well as of an unprecedented scale of liberalisation.” (Hassel/Schiller 2010: 13). In addition, Grunden et al. (2017) summarise the Agenda 2010 by stating that the party rather relied on a drastic tax reduction instead of a greater tax financing of the social systems. The SPD furthermore partially privatised the state pension insurance instead of deciding for a state solution according to a Norwegian model. Subsequently, the party brought more flexibility into the labour market without simultaneously introducing a necessary a minimum wage. (cf. Grunden et al. 2017: 42).

Following Meyer (2004) the reforms of the Agenda 2010 were a rupture to the understanding of justice according to Locke and Kant. (cf. Meyer 2004: 183). While Grunden et al. (2017) view them as a reorganisation and dismantling of the welfare state according to an Anglo-Saxon example with neoliberal denationalisation phantasies. Hence, as they



state, the contrary of what one expects when deciding to vote in favour of social democracy. (cf. Grunden et al. 2017: 41-44). A thought also shared by Winkler (2016) who refers to a “deep turning point in the history of the German welfare state.” (Winkler 2016: 244). In this regards Butterwegge (2018) points towards “[u]nfulfilled demands and disappointed hopes of [party] members” (Butterwegge 2018: 222). And Gardemin/Geiling (2009) emphasise that the Agenda 2010 was by “many party members, unionists and voters perceived as a disclosure of social justice (...) the immanent essence of social democracy.” (Gardemin/Geiling 2009: 15). Especially Hartz-IV was considered a disaster for the Social Democratic Party because for the first time since 1949 a social benefit for millions of people was cancelled. The reforms were therefore perceived as the peak of abandoning active labour, employment and social policies. (cf. Butterwegge 2018: 197). In this context Meyer (2018) attests the party a “flattening and ambivalence of the social democratic profile” (Meyer 2018: 14).

The Agenda 2010 moreover squandered confidence due to the fact that a significant part of the reform’s policies and implementations were seen as incompatible with social-democratic beliefs, especially because its serious changes affected the social democratic clientele. (cf. Faulenbach 2012: 129). This was underlined by the Schröder administration enforcing many industrial interests. Accordingly, social, solidarity and justice-related proclamations seemed to be no longer credible. (cf. Reibenstein et al. 2013: 134). Hence, the authors state:

“On the one hand, the Agenda 2010 focused increasingly on self-reliance, and on the other a strong role of the state was once again propagated during the election campaign within the financial crisis. Accordingly, this non-stringent course casted doubts on the credibility of the Social Democrats.” (Reibenstein et al. 2013: 141).

This resulted in a peak of estrangement between the party and the trade unions. (cf. Nachtwey 2008: 62). Here, Butterwegge (2018) refers to its “toughest test within their common history” (Butterwegge 2018: 219). The former strong bond between Social Democrats and trade unions disintegrated resulting in an increasing alliance between the unions and the Left party. (cf. Reibenstein et al. 2013: 134).

A further direct consequence of the reforms was the favouring of the foundation of an all-German left-wing party, first by establishing the WASG which later transformed together with the PDS to the party Die Linke. (cf. Reibenstein et al. 2013: 131, 135, 143; Grunden et al. 2017: 176-177). Leading to a “fundamental shift within the social democratic coordinate

system” (Gardemin/Geiling 2009: 15).

However, it has also to be emphasised that Schröder’s concept of a Neue Mitte and a Third Way initially seemed to be successful. (cf. Reibenstein et al. 2013: 129). Nevertheless, Grunden et al. (2017) consider them an “insufficient response” towards the financial and economic crisis especially since Giddens himself criticised that his own concept would not consider social inequalities as well as the power of large corporations. (cf. Grunden et al. 2017: 157). In this respect, Dürr (2005) highlights that “Schröder’s reforms certainly pointed into the right direction but they ultimately remained unexplained and misunderstood” (Dürr 2005). Following this thought, Hassel/Schiller (2010) add:

“Many necessary accompanying elements such as (...) the introduction of a statutory minimum wage were at best merely triggered. They were not tackled. As a result, many measures were too selective. In addition, many of the reform’s consequences were neither anticipated nor well-conceived.” (Hassel/Schiller 2010: 14).

Comprising, it can be argued, “that a fair welfare state and capitalism are incompatible given the fact that social democratic demands for solidarity, justice and freedom cannot be implemented sufficiently.” (Reibenstein et al. 2013: 143). Butterwegge (2018) claims that the set of reforms “has endangered the existence of the welfare state (...) because neoliberalism gained more and more influence” (Butterwegge 2018: 218-219). According to Junge (2011) Schröder’s Agenda 2010 evolved to a red rag for left-wing social democrats, for unionists as well as for a majority of the former voter base clientele. (cf. Junge 2011: 120).

It can therefore be stated that the Agenda 2010 “plunged the SPD into one of its most severe crises within its party history” (Butterwegge 2018: 222). A thought also being shared by Butzlaff/Nachtwey. (cf. Butzlaff/Nachtwey 2009: 28). While the set of reforms strengthened the Chancellor’s power in the short-term, they simultaneously weakened the party itself in the long run. (cf. Grunden et al. 2017: 122). Hence, they can be considered the most significant cause for the recent losses of the SPD. (cf. Reibenstein et al. 2013: 143). Until the present day the different party wings are in dispute over the fact whether to perceive the Agenda as success or failure. And ever since party members have to justify themselves for the Agenda 2010 reforms and are ever after “shaken and uncertain”. (cf. Grunden et al. 2017: 122). Von Lucke emphasises this by concluding:

“The Third Way of Schröder and Blair was a way into deadlock. It was sufficient to promote social democracy for just about a decade. In the short-term this way was crowned by party political success. But nowadays the move of social democracy into the ‘Neue Mitte’ turns out

to be political offside. Now we recognise the dramatic follow-up costs: a divided country (...), a divided left (...) and the content-related drain of German social democracy.” (von Lucke 2015: 46).

Although, Reibenstein et al. (2013) emphasise, that the reforms ought not to be overestimated, since the party recorded its biggest electoral loss “in a time in which the Agenda 2010 had already been implemented” (Reibenstein et al. 2013: 144), they also conclude:

“Schröder’s problem was not the content of the Agenda 2010 itself, but his distance towards his own party and his failure to gain confidence among his supporters when communicating an optimistic and realistic scenario of the future.” (Reibenstein et al. 2013: 144).

In this regard Nachtwey points out, that the reforms did not cause the downfall of the Social Democratic Party of Germany but certainly accelerated it. (cf. Nachtwey 2008: 58).

Nevertheless, it is of great importance to emphasise that by his guiding principle ‘first the country, then the party’, Schröder established himself the reputation as the last Chancellor that instead of merely administering rather designed and shaped the Federal Republic of Germany. By implementing the Agenda 2010 he furthermore hoped that a successful development and implementation would change the party’s programme over the long term. Therefore, calculating that his strategy would subsequently lead to rising chances for future SPD government participation as well as an opening up of the party towards the civic middle class. (cf. Hassel/Schiller 2010: 161, 293).

Emphasising ambivalence and dilemma that the SPD found itself embedded in and which led to the consequences outlined and summarised in the previous sections, it needs to be stated that this exact circumstance had already been characterised prior to the actual downfall of the party. By the turn of the century, Kitschelt (1999) in particular, indicated that social democratic parties are facing three interconnected dilemmas. He labels them as “political-economic”, “electoral” and “organizational”. (cf. Kitschelt 1999: 321). Respectively the author emphasises:

“The first is (...) that those economic policy strategies which have allowed social democrats (...) to gain government office in the short run contribute to serious electoral losses and eventual defeats of left-dominated cabinets in the longer run. (...) [T]he second [is] that winning or preserving government office may involve sacrificing vote shares, yielding a trade-off between strategic objectives that occur in multiparty systems (...). The third is the (...)

dilemma between a party's commitment to an internal organization that facilitates strategic flexibility and responsiveness to changing 'tastes' in the electorate and an organization that captures a loyal 'core electorate' (...) [whose] flexibility is beneficial for vote- or office-seeking politicians in the short run, but introduces an element of strategic volatility that may hurt a party's reputation for policy consistency in the long run." (Kitschelt 1999: 321-322).

The Agenda 2010 as well as the the SPD under Chancellor Schröder can be seen entangled within all three of those dilemmas. Accordingly, and while pursuing Kitschelt's remarks, Hassel/Schiller (2010) summarise:

"The crucial predicament of the SPD was however that they could either move into the middle in order to take on government responsibility – then they tended to risk losing votes to the left. Or the party maximised its electoral potential within the camp left of the centre – but then the left camp might not gain a majority." (Hassel/Schiller 2010: 147).

Overall concluding the Agenda 2010 set of reforms it is vital to emphasise that "a fair welfare-state and capitalism are incompatible, since social democratic demands for solidarity, justice and freedom cannot be implemented sufficiently." (Reibenstein et al. 2013: 143). Hence, Dürr (2005) concludes "that the SPD did not succeed in the debate on the contemporary relationship between economy and social justice." (Dürr 2005: 1). And Hassel/Schiller (2010) outline that Schröder's attempt to use the Agenda 2010 for future pay-offs in favour of the party "must be considered as having failed." (Hassel/Schiller 2010: 161). Respectively, Merkel/Schroder (2018) recapitulate that the social democrats can be held responsible for their current misery due to what the authors consider as "a failure of social democratic government policies." (Merkel/Schroeder 2018: 57). Moreover, it is von Lucke (2015) which highlights the "fatal irony of history" that "it have been social democrats which leveraged neoliberalism across Europe and hence, partially, put an end to social democracy." (von Lucke 2015: 46).

At this point shall also be mentioned that subsequent to the Agenda 2010 the SPD pursued a critical assessment of its initiated reforms itself as well. In 2009, in the context of the losses in the general elections the party stated that one of the defeat's main reasons was because in the voter's impression the SPD "did bid farewell to central guaranteed commitments of the welfare state" (SPD 2009). Moreover, the party emphasised that this led to the fact that "the party has lost confidence and credibility in its core competencies labour and social." (ibid.). Subsequently, the SPD added and concluded that in this regards it aims future wise for a "critical assessment of the labour market reforms" (SPD 2010).



## V. Conclusion and outlook

This Master Degree thesis aims at scrutinising the Social Democratic Party of Germany and its downfall in the past two decades by focussing on the Agenda 2010 reforms and its intertwined concepts of Third Way and Neue Mitte. It therefore questions whether social democracy – in light of its triumphant past – has become a victim of its own ideological failings.

The approach used in this examination and as regards the methodology is of hermeneutical nature within social sciences. To that end literature review, analysis and interpretation was duly carried out.

Regarding the structure of this work after the introduction the basic terms were defined and the recent history of the SPD was outlined. However, it relied mainly on the subsequent analysis of the Agenda 2010 reforms itself focussing on backgrounds, reasons and consequences of these reforms.

It is further worth mentioning also that the findings and conclusion of this work in hand are solely based on the underlying and chosen literature. The outcome of this research could have been different if other sources had been consulted. It was not easy during this work, considering the research question initially raised, to refer solely to the reform's influence on the SPD itself and not to its effects on the German economy or society, particularly because both aspects seemed on occasion to be inevitably interconnected. Another difficulty during the analytical part pertains to the backgrounds, reasons and consequences which were singled out but however, not always easy to tell apart.

In accordance to the previously conducted analysis, the consequences of the Agenda 2010 on the downfall of the SPD were in general terms a loss of confidence and the resulting and interconnected crisis of credibility. A fact, that the German Social Democratic Party was and still is confronted with.

This was due to the fact that a large proportion of party members, voters and supporters perceived these reforms as generally neoliberal – which they partly were – and therefore as a challenge and a provocation against the prevailing classical social democratic values and convictions until that point in time. As regards this particular issue, and in accordance to the underlying literature, the negative aspects of these reforms appear to have outweighed the positive ones such as investments in education or in families. However, by embarking on neoliberal policies the Social Democratic Party did indeed move from a traditional social democratic perspective to a more market-oriented perspective.

Hence, a general divergence between the party and its members as well as its overall

clientele occurred and subsequently solidified. This led therefore to an increasing decline in membership, loss of trade union affiliation and above all to a decrease in electoral support from the party's former voter base and hence to a downfall in overall relevance. This becomes particularly clear when analysing the election outcomes of 1998 and 2017.

Another direct cause of the Agenda 2010 reforms was the growing importance of the WASG, which later and together with the PDS established the party Die Linke, the first and ever since permanent political party within the German party system politically-speaking left of the SPD. This was a major consequence of the SPD reforms considering that this new left party received support particularly from former, disappointed and frustrated SPD voters and members, a party whose first chairperson was Oskar Lafontaine, the former chairman and Chancellor candidate of the German Social Democrats.

Looking back, it should be taken into account the fact that with the beginning of the new century the SPD was confronted with an increasingly changing society. Especially the ongoing major shifts between secondary and tertiary economic sector whereby the growing importance of the latter posed a great challenge to the party. Hence the question, whether the traditional cleavage model within political sciences, especially the conflict between workers and owners, is still valid in contemporary societies. This challenge – that within the scope of the scientific literature is often depicted as dilemma – however, did not only but especially affect the social democrats.

In the 1998 general elections the party successfully solved this dilemma by merging its traditional and modern parts. Both Schröder and Lafontaine were able to appeal to broad parts of the electorate. Yet this success did not last, since over the following years the neoliberal parts won the power struggle within the party against the traditional social democratic part. The party thus embarked on neoliberalism gradually disappointing and subsequently repelling its former core clientele and hence a majority of its voters.

Was the Agenda 2010 a mistake? Some of the intentions behind it can be regarded as good, such as wanting to fight unemployment, but the reforms didn't go to great lengths and its implementation was broadly regarded as short-sighted. The SPD projections that a successful implementation and development of the Agenda 2010 would increase the party's odds for further government participation didn't materialise. The reforms transformed to party instead. It can therefore be said that the SPD failed in party political terms considering that capitalism and neoliberalism as well as a fair welfare state are seen as incompatible, mainly due to their inherent contradictions. This was later recognised by the party, which confessed that "until today it suffers from the [reform's] consequences" (SPD 2017: 76).

We can therefore conclude that the Social Democratic Party of Germany did not win in the contemporary debate on how and to what extent a successful correlation between social justice and a capitalist economy can be achieved. In fact, sarcastically and cynically speaking, and that's a major irony of this story, it was the social democrats who crucially contributed to leverage neoliberalism in Europe and hence partially put an end to social democracy itself.

Did the social democrats become a victim of their own ideological failings considering the Agenda 2010 reforms? In accordance to the contributions of this present work this answer is a clear "yes". *Quod erat demonstrandum*.

However, it inevitably raises another interconnected question whose answer seems to be more complex: particularly, the question, whether the SPD has become a victim of its own success.

When in 1983 Dahrendorf first said we were facing the end of the social democratic era the upcoming electoral successes of social democrats especially around the turn of the century proved him wrong. However, more than two decades later there seems to be no doubt that his remarks have proven true in present times. In respect thereof Micus/Walter (2017), among various others, conclude that the social democrats became a victim of their own success since "social democracy, in light of the rise of the classic skilled worker elite became a party of a new middle strata of society." (Micus/Walter 2017: 73).

At this stage shall be referred to the fact that some scholars believe the negative role of the reforms ought not to be overestimated, especially since the party's decline continued in a time when the reforms had already been implemented and the country was governed by non-social democratic parties.

The Agenda 2010 was certainly not the only reason for the downfall of the SPD but rather one among others, even if a very decisive one. Here it needs to be pointed out that the party's downfall was and still is caused and affected by a combination of structural reasons which are difficult for a political party to influence: shifts in society and therefore a decline in relevance of the traditional cleavage theory in political sciences as well and the decreasing ability of popular parties to retain voter's loyalty. Merkel/Schroeder (2018) emphasise this by stating that the "political sphere of social democrats has shrunk." (Merkel/Schroeder 2018: 57). Accordingly, these reasons, as they are only some among many, shall merely be pointed out at this stage. Especially, since they open up and offer entirely different approaches to analyse the downfall of the SPD than the one chosen and pursued throughout of this work.

In which direction is the Social Democratic Party of Germany likely to develop in order



to seek a more successful future? As already outlined the party itself has realised and confessed that even if just partly, the reforms caused negative consequences. A vibrant discussion within the party, which is still being prominent until the present day, especially becoming obvious by the fact of Martin Schulz stating consequently to his electoral defeat that the party needs to “pluck up courage to critique capitalism again.” (Schulz 2017). Apart from the SPD, Dürr (2005) emphasises, that the party needs to develop what he considers as a “positive guiding principle [which] must be based on the idea that efficient economic activity and social cohesion ought never to be played off against each other.” (Dürr 2005: 2). And Meyer (2009) adds that the SPD will only regain self-confidence as a “credible leader of a contemporary centre-left alliance.” (Meyer 2009: 12). Regaining credibility is also the watchword for (Merkel/Schroeder 2018) who point out that this especially needs to be achieved in “core areas of social democratic politics: tax, labour market, pension, healthcare and education policies.” (Merkel/Schroeder 2018: 61). Hence, Mason (2017) concludes that “[u]ntil the centre-left learns to break with the logic of neoliberalism, and to construct an economic model that subordinates market forces to human needs, it will continue failing.” (Mason 2017).

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