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After the Election: A Switch to Domestic Policies

On November 19, 1972, the electorate of the Federal Republic of Germany gave the social-liberal coalition of the Sozialdemokratische Partei Deutschlands — SPD (Social Democratic Party) and the Freie Demokratische Partei — FDP (Free Democratic Party) an impressive mandate to continue on its political course. The SPD in fact scored larger gains of valid votes than the FDP. But whereas the SPD "merely" strengthened what was already a strong position, the FDP pulled away from the perilous five-percent hurdle which it had only just cleared in 1969. This makes the FDP's success no less significant than that of its big partner. In future it will insist more firmly on performing the corrective function which, in the final resort, provides its political *raison d'être*.

Not only will the FDP from now on have more weight to put behind this corrective function, but its task will be more important in substance. Domestic policy decisions will undoubtedly feature much more prominently in the coming legislative period than in the three years before the last election. There were no significant differences in the Brandt-Scheel Government about the policies towards the East and concerning Germany which have held the spotlight until now. That is not, or at least not equally, true of the subjects which are about to come to the fore. It suffices to refer here to the complex problems of participative decision-making — co-determination —, property forma-

tion, the policy on competition and tax reform.

On co-determination the SPD favours a solution based on parity, as in the coal and steel industries perhaps, while the FDP has presented proposals for a solution under which the bloc on the labour side would be dissolved into "employees in a narrower sense" and managerial staff which, at least according to one of the versions under discussion, would allow coalitions to be formed to the exclusion of the labour force proper. As regards formation of property the main disagreement between the two parties appears to arise over the administration of the funds to be raised by a charge on the profits of big enterprises; the FDP dislikes anonymous funds because it is against new concentrations of economic power. Concerning competition, the two parties are largely in agreement on preventive control of mergers and more intensive surveillance against abuses by enterprises dominating a market; in dispute is the abolition of resale price maintenance. In tax reform the main issue is whether the SPD will try to go beyond the previous "Federal Government corner values" which both coalition partners have endorsed, and insist on steps to implement the ideas adopted at its last "tax congress".

Eclipsing everything else is the problem of stabilisation policy. With money in the Federal Republic of Germany now depreciating in value at a rate of over

6 p.c. and no break in the trend in sight, stabilisation is bound to retain its high priority ranking. The election result did not seem to bear out the opposition's emphasis on this matter in the run-up to the election. Or would the coalition's victory otherwise have been even greater? There is, at the least, no disputing the case of those who warn against treating the election victory as an excuse for easing up on the stabilisation policy; the latter is of some relevance to almost all the spheres covered by the "policy of reform". That is today accepted everywhere as a factor for consideration or, at least, argumentation. Some flowery dreams have already begun to wilt under the hoar-frost of stabilisation exigencies.

Extremely difficult problems will present themselves even if the stabilisation policy is confined to the use of "classical" instruments. The Federal Republic of Germany is, for one thing, confronted with what is largely a "cost-push inflation" while the available instruments have a direct impact only on demand. Secondly, the country is forced to tackle the problem nationally by itself; the efforts for co-operation inside the EEC must, for the time being, be judged to have failed. A policy pursued in isolation however will have to be protected by adjustment of the rate of exchange, when some success in stabilisation has been achieved if not earlier. Otherwise all stabilisation efforts will have been in vain.

Hans-Jürgen Schmahl