

ANGELA MERKEL

The „we-society“- the need for a New Social Market Economy

The CDU has always rejected policies based on spurious divisions. Our policies have never been aimed at any particular class or stratum of society. The CDU is and always has been the great people's party of the centre. I do not want today's society to be one of spurious divisions either, a society divided into what have been described as the winners and losers of the modernisation process. I want an inclusive society, a society that recognises the changes caused by globalisation and digitalisation, a society that sees the opportunities that these changes offer for everyone. A „we-society“ responds to the need for new forms of protection that arises from these changes. A „we-society“ offers everyone opportunities for growth and development by creating a new order.

In order to achieve this, we need to describe our current reality accurately. We need an honest assessment of Germany's current situation. Because honesty creates certainty -certainty about how we need to approach the challenges of the new age, but also certainty about how everyone can overcome these challenges. In this way, honesty will create justice in the 21st century.

A glance back to over a decade ago shows us how important it is to recognise the reality of a situation. The Berlin Wall came down in 1989 but the people in the GDR certainly didn't discover freedom for the first time in 1989. So why did it take until the end of the 1980s for socialism to collapse in the GDR, the USSR and central and south-eastern Europe? For me, the main cause of this was the transition from an industrial society to an information and knowledge-based society that began in the mid-1980s. Information technology and digitalisation were on the rise. Thinking and knowledge became the decisive factors in the manufacture of innovative products rather than carrying out the same production processes over and over again. This created an insoluble contradiction for the communist dictatorships. On the one hand, people were supposed to achieve top performance standards by means of free, independent thought, whilst on the other hand, as soon as they left their place of work they were supposed to accept the mechanisms of dictatorship. A closed system, which is what the communist world system was at the time, could no longer survive under these new economic conditions. Seen in this light, the dawn of the information and knowledge-based society, the collapse of communism and the spread of freedom across the world are all closely connected. The political order of freedom, i.e. democracy, and the economic order of freedom, i.e. the market economy, are inseparable.

Of course, unlike the GDR in 1989, the Federal Republic of Germany is not faced with collapse. But 10 years after German reunification, neither do we in Germany have a legal right to long-term economic growth. The mechanisms that led to the collapse of the command economy are also changing our society and are thus having an effect on the structure of the Social Market Economy. What does this mean for the CDU, the party that introduced the Social Market Economy? What does this mean for the CDU in terms of learning the right lessons from its 1998 election defeat rather than forever discussing what went wrong without actually getting anywhere? Some say that after 16 years in government, the CDU had too little economic competence left to contribute. Others are of the opinion that CDU policy was

ultimately too coldly insensitive, that too many changes were made over a short space of time, for example with regard to continued payment of wages in case of sickness and protection against dismissal, without getting people to go along with these changes. It is not a question of „either or“. We will only find the right answers if we describe reality accurately.

Honesty creates justice.

At the beginning of the last century we underwent the transition from an agrarian to an industrial society. Now we are experiencing the change from an industrial to a knowledge-based society. In the New Economy, information and its transmission have replaced raw materials, machinery, equipment and traditional forms of work. This has major consequences for the structure of the entire world of work and for the way people live. International trade has existed throughout human history. However, the impact of digitalisation and information technology on various processes has completely changed the nature of global co-operation. Management, development, logistics and software are playing an ever greater role in the manufacture of a product, whilst the importance of the actual material production of a product is constantly declining. Just as printing provided everyone with access to knowledge and the invention of the telephone opened up completely new and rapid ways of contacting other people, so the access to information that we enjoy today will also lead to long-term changes in social behaviour patterns, values and institutions. It is becoming possible today for the labour involved in the manufacture of a product to be spread across the globe. It is possible for companies to search the globe for the most efficient labour. Economic processes are becoming faster. Higher productivity is no longer achieved by faster machinery as used to be the case, but rather by better training, communication and motivation of people. The products of the information society can be copied and duplicated in a completely different way to before. It is no longer easy to apply copyright and patent law in the classic sense. The time during which a given product remains profitable is becoming shorter and shorter. Whilst quality was traditionally the factor that determined competitiveness, it is increasingly being joined by the factor of time. And the key raw material of the New Economy is human capital or labour, combined with knowledge. In other words, the resources that are in demand in the New Economy are people and their knowledge.

As human beings, we are all feeling these changes. On the one hand, we want to master these fascinating new technologies, the seemingly boundless possibilities of the Internet. We follow advances in medicine and technological developments with amazement. At the same time, however, we are not entirely sure what is going on around us. We see whole branches of the economy being restructured and are none too sure, for example, about mergers such as the one between Mannesmann and Vodafone. We wonder whether we are still in control of the economic forces in this process. Indeed, we wonder what role politics can have in such an age, particularly national politics. After all, many people say that the economy operates of its own accord, irrespective of what we do. The markets developed by themselves. So what is the point of politics, what difference can politics make any more?

To acknowledge the changes, to accept them as an opportunity for our country's revival, as an opportunity for people to grow – that is the role I see for politics in this new age.

In this regard we should remind ourselves of a key passage of the Freiburg Memorandum on the Social Market Economy, in which the founding fathers of the social market economy wrote that 'Societas (the structure of the community) cannot simply be ordered along economic lines. In the 19th century it was a popular misconception that appropriate economic regulation would of itself create an appropriate social order. It is rather the case that you cannot have an overall economic order without a social order.'

This is still our goal, but the road towards it will change direction many times. And when it does, we must remember that honesty leads to justice. The task of politics in the 21st century is to harness these new forces for the benefit of humankind, to reconcile the market with humanity. Firms must decide to locate in Germany and not elsewhere. Only then will we be able to say that our policies benefit the people. The following problems will require us to find new solutions:

With the help of its own regulatory framework, the Social Market Economy has been able to resolve the contradiction between capital and labour in an industrial society. Since the nature of work is changing in the knowledge-based society, it will also be necessary for many of the rules governing the partnership between employees and employers to change.

Competition in the New Social Market Economy takes place at international level. National regulations that influence the cost of products, especially in terms of labour costs, will therefore have to be reviewed in order to ensure that they allow competitiveness. The social security system in Germany is tied almost exclusively to the cost of labour in the form of non-wage labour costs. It is clear that we need to be more innovative and productive than everyone else, and we need to create a broader base for our social security system.

The international nature of the New Economy obliges us, in the context of the New Social Market Economy, to establish an international regulatory framework to complement the existing national ones. National regulations will often no longer be adequate.

The CDU's solutions to these problems are based on our commitment to the Christian concept of Man. We know that people are different and have different abilities and skills. We understand the role of politics to be to develop people's abilities and skills so that everybody can share in the developments taking place in society.

The New Social Market Economy - a new culture of independence and social partnership.

It is in companies that innovations and their technical implementation come about. A few weeks ago there was an advertisement with a picture of a school-leaver, the text of which read: 'I will start my own business. There is only one question left, which country shall I join?'

This is a perfect demonstration of the fact that if companies are not set up in Germany, they will be set up somewhere else in the world. We need a social climate which acknowledges the value of setting up a company. There is still too much envy

and all too often people who have failed in their first attempt to set up a company are not given a second chance. New companies need particular support. One of the tax reforms passed this year serves to demonstrate that at the moment exactly the opposite is happening. By passing a regulation which says that the amount of capital invested in a company which can remain tax-free may not exceed 1 per cent of the company's value (compared to 25 per cent under the CDU), what the government is doing is diverting investment into the big corporations and away from the young, small start-up companies. In America, one of the main drivers of growth is the market for 'Business Angels', that is, friends, eccentrics or family members who put their capital into start-up companies. In Germany, this market has been stifled by bad decisions made on tax. Once we are back in government in 2002, the CDU will reverse these decisions.

A new culture of independence involves much more than this, however. Employees are becoming more and more independent in the workplace as a result of the problem-solving, knowledge-based nature of the work they are doing. We therefore also need to increase employees' participation in companies' capital, for example in the form of share options. Capital ownership is playing a growing role in increasing prosperity. However, this means that employees must to a certain extent also be willing to share in the risks of capital investment and not only in its opportunities.

The New Social Market Economy – a wide-ranging commitment to competition.

Competition ensures that all suppliers of a product have fair access to the market in which they are competing for customers. State regulation through institutions such as the Federal Cartel Authority and the regulatory authorities ensures that competition can take place. In the New Social Market Economy, services that used to be provided by the state will also be opened up to competition. The privatisation of, for example, the railways, the postal service, the power and water utilities and sewage treatment has resulted or will result in there being a marked increase in the range of goods and services available on the market. This gives customers new opportunities to make their own decisions in line with their individual needs.

More competition will also be brought into the social security system. For example, a new pillar of pension provision known as voluntary savings-based provision will be introduced alongside the statutory pension system. Employers will not be able to make contributions to this type of scheme. However, in the New Social Market Economy people will not be left to fend for themselves in terms of pension provision. The savings-based provision will therefore be supported by the state by means of subsidies or tax incentives. The individual will in turn be able to choose from a variety of ways of building up this savings-based provision. The health service is another area in which choice will become more important in the future.

In spite of sectoral collective agreements, more decisions are being made at company level today than may appear to be the case at first sight. Nevertheless, we still need to provide greater opportunities for employers and employees to form company-level partnerships. This is why the government is heading in completely the wrong direction with its plans in the works council constitution act to expand co-determination rights and to relax the conditions for the release of works council members across the board. This reduces Germany's ability to compete internationally. The government is similarly misguided in wanting to introduce across-

the-board compulsory regulations such as the general legal right to work part-time, instead of promoting diversity and company-level regulations.

The New Social Market Economy – the need for Germany to stay ahead in education and training

More than ever before it is education and training which allows every individual access to prosperity and the chance to participate in our knowledge-based society. If we in Germany want to be better and to lead better lives than elsewhere in the world, then we need to be ahead of other countries in terms of education and training. In the knowledge-based society, education is not simply a question of knowing facts. Rather it is the ability to gather, sort and interconnect pieces of information. A completely new approach to teaching and learning in education, training and further training is needed in order for these skills to be acquired. At the same time, it is true that there is also a clear need for greater investment in our education system.

We are deluding ourselves if we think that we in Germany will always be better than other countries if we rely solely on the structures we have at present. We need greater competition between educational establishments, especially universities and colleges of higher education. It is already clear that on the international stage Germany is not an attractive enough proposition for the best minds and that many of our top people are leaving the country. We will only change this situation and create better opportunities for young people if there is greater competition between the universities and other educational establishments. We will never change it as long as the rules of the public sector govern education. What we need is a wide-ranging debate about the future of our education system, including, for example, issues such as tenure and pay entitlement. No subject should be considered taboo.

The New Social Market Economy – decisive support for the rights of all generations

Environmental policy has made us familiar with the principle of sustainability. We should use only as much of a resource as can be regenerated naturally, and only so much energy and so many substances should be released into the environment as can be assimilated into the air, water and soil. This principle underlies the viable future management of finite natural resources, and it should be applied to all areas of policy. We need sustainability in financial policy, economic policy and social policy. Only then will future generations have a similar chance to shape their own lives.

This is particularly important because the age structure of our society is undergoing dramatic change. The number of young people is growing smaller while the number of older people is rising. These demographic changes will have serious consequences, for example for the structure of the pensions system. We cannot and must not allow the cost of implementing the necessary changes to fall mainly on the shoulders of the younger generation. The CDU therefore wants a reform of the pensions system which will be fair to all generations.

Ensuring justice for all generations in our society also means providing particular support for families with children. This is an area that needs to be more clearly stressed in future policy than it has been in the past. Consequently, we want to introduce a special financial incentive in the private, fully-funded pension scheme for

people bringing up children. The idea is that somebody bringing up children should be able to get a higher total pension than somebody with no children.

Germany is lagging behind other nations in terms of reconciling the needs of career and family. This has to change. A general legal entitlement to work part-time is the wrong approach. Instead, we want parents with children up to the age of 12 to have an entitlement to part-time working. We must also continue to improve childcare provision in the coming years. Parents' wishes, which can differ widely from region to region, must be given greater weight in this respect.

At present, around 1 million children in Germany still live in families that are on benefit. This number is far too high and the situation has to change. Nobody in Germany should have to become dependent on social welfare because they decided to have children. We will change this situation by developing a family benefit. Because 'social' action means giving the future of our society a chance.

The New Social Market Economy – moving from outdated hierarchical structures to faster decisions made closer to our citizens

The fact that economic processes are developing flatter hierarchies and are taking place at an ever faster pace also presents new challenges for government. In the New Social Market Economy the principle of subsidiarity will therefore have to be implemented more consistently than in the past. There is a growing need for decisions to be taken at local and regional level, and local authorities need appropriate funding in order to be able to do this. Our motto must be, wherever possible, to create clear areas of responsibility for each of the different levels, to avoid having two levels responsible for the same thing and to transfer responsibility to the lowest possible level. The responsibilities of each party in the relationship between central government and the federal states also need to be clearly established. For this we will need to review the need for competing legislation.

If citizens are more empowered, this will also make it possible for more people to do voluntary work and to stand up for what they believe in. In a world of international co-operation, people will be increasingly inclined to ask questions about their own identity, about where their home is and about the particular contribution they make to their own local community. Everyone must be given the opportunity to settle in the place they look on as home. To be able to settle and live in reasonable-sized people-friendly communities and to work in a global economy – this would be the perfect combination.

The New Social Market Economy – commitment to an international regulatory framework.

International economic transactions also require an international regulatory framework. The answer of the EU member states to the rise of globalisation is the Single Market and a Single Currency. However, the New Social Market Economy needs international regulations that also go beyond Europe. This is where the role of the World Trade Organisation, that guarantees international free trade, becomes crucially important. We need to link minimum social and environmental standards to free trade, otherwise fair competition in the sense of sustainable economic stewardship will be impossible.

We need everybody to have fair access to the market. This is particularly important in the case of developing countries and is the responsibility of the whole international community. You cannot have free access to the market if there are monopolies. For this reason, governments must act to ensure that monopolies are not formed.

Conflict arising from attempts to prevent monopolies will be one of the major legal battlegrounds of the 21st century. The example of Microsoft in the USA demonstrates that different products – ranging from software development through operating systems to Internet access – can quickly become highly interdependent and a very protracted process is then required to unpick these structures. This is an area in which government action is becoming more and not less significant.

The Internet requires regulation at international level and makes national regulation irrelevant in many areas, for example in the fields of patent protection, copyright and the taxation of electronic commerce. At the moment, however, the institutions needed for such regulation are barely beginning to develop. Over the next few years we will need to develop these institutions further as well as create new ones.

In a rapidly changing world, it is not always possible to wait for the results of international negotiations under the auspices of the WTO, the IMF, the World Bank and the UN in order to develop the regulations needed. Consequently, agreements and voluntary commitments on the part of producers will gain in importance, although they will certainly not be able to take the place of international treaties in every case.

A „we-society“

Our society is experiencing extremely rapid change. It is important for us not to regard the process of technological and economic development as an end in itself. We have to configure the political and economic order in such a way as to allow every individual the chance to benefit personally and gain new freedoms as a result of these developments. Those in need of help are entitled to the support of others. But if people ask others for help, then in return they must also contribute as much as they are able to the community. Personal development and the willingness to help – these are the two sides of our society for the people.

Neither the ‘Third Way’ nor the ‘New Centre’ are of any use. Introducing tax reforms to help one group in society one day and promising greater co-determination for another group the next, trying to fight youth unemployment with a special programme today and lumbering young people with an unfairly large proportion of the costs of pension reform tomorrow, promising some people Green Cards without explaining how immigration overall is going to be regulated in our country - to do these things is to shackle the country’s economic growth in the name of a consensus the true nature of which has been misunderstood. The New Social Market Economy, on the other hand, is the only system that can harness the changes being undergone by modern society for the benefit of the people. Germany's Christian Democratic Union is committed to working courageously to create this new order.

This article was published in the Frankfurter Allgemeine Zeitung on 18.11.2000

