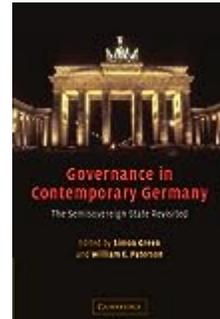




Simon Green, William E. Paterson, eds. *Governance in Contemporary Germany: The Semisovereign State Revisited.* Cambridge: Cambridge University Press, 2005. 338 pp. \$32.99 (paper), ISBN 978-0-521-61316-3.



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Published on H-German (March, 2006)

The Crisis of the Semisovereign State

At sixteen, the Berlin Republic is experiencing a troubled adolescence. The still unfinished project of integrating the areas of the former GDR into the economic and political structures of the Federal Republic is being pursued under conditions of institutional reorganization in the context of the growth of European government and against the backdrop of rapidly expanding global economic competition. The combination of public and private institutions that saw West Germany through a period of relative stability during the Cold War are now struggling to cope with increased pressures from economic stagnation and persistent structural unemployment. The Rhenish model of capitalism described by Michel Albert more than a decade ago seems now to be moving toward extinction, a victim of a wave of financier-driven, neo-liberal economic policies.

The varied attempts undertaken by government and leading organizations to adapt German political culture and political institutions are the subject of this volume. As the subtitle indicates, the contributions in this volume attempt to engage with Peter Katzenstein's highly influential analysis of German governmental institutions,

Policy and Politics in West Germany: The Growth of a Semisovereign State (1987). Katzenstein argued that the German state differed from other western European and North American states in its focus on coordination and incremental change. Unlike the wide policy swings that could be seen in Great Britain and United States—at that point embroiled in Thatcherism and Reaganism respectively—Germany's model of cooperative federalism made policy the subject of expert analysis and cooperation rather than ideological competition. The German state was decentralized, with the Constitutional Court and the Bundesrat working within the German tradition of bureaucratic independence to prevent the concentration of power in the office of the Chancellor. While the federal ministries retained responsibility for developing overarching policies, implementation was devolved upon lower political levels and subject to imperatives developed at the local level. Katzenstein focused on three nodes that supported this institutional structure: political parties, federalism and parapublic institutions. Katzenstein described the influence and functioning of these nodes in a series of case studies examining the way that public and private institutions dealt with policy ar-

eas including economic policy, immigration, the labor market and social policy.

At this point it might be worth devoting some consideration to what is meant by the concept of semisovereignty. The term was popularized by the political scientist E. E. Schattschneider, author of *The Semisovereign People* (1960). Schattschneider's book was, at least implicitly, an attempt to counter the interpretive influence of Schumpeter's critique of liberal democracy. Schumpeter argued that the concept of liberal democracy, and in particular the idea of the rational democratic subject (developed by the democratic theorists of the eighteenth and nineteenth centuries) was no longer relevant to the modern mass polity. Modern capitalist mass polities are so complex, runs the Schumpeterian line, that non-experts are no longer in a position to exert any meaningful rational control over their operation. Schattschneider argued that this oversimplified argument did not take adequate account of the varied levels at which political conflicts occur within society, and that the scope and institutional location of social conflicts and political structure are crucial to understanding their broader significance. This significance involved both an analytical dimension in terms of the researcher's ability to describe the functioning of political institutions accurately, but also a normative dimension in terms of the preservation of (American) democracy. For Schattschneider, semisovereignty was a way to characterize more precisely the ways that elites in American society controlled access to political and social struggles.

While Schattschneider used semisovereignty as a means of characterizing the relationship of the American people to the state, Katzenstein shifted the site of analysis to the public and (to use his term) parapublic institutions of the polity. Katzenstein's appropriation of the concept of semisovereignty is particularly interesting because of the analytical purchase that it achieves when applied to institutional and historical circumstances dramatically different from those of the United States at the beginning of the 1960s. Germany in the mid-1980s was on the other side of the period of political and social instability that (to one degree or another) affected all of the major industrialized capitalist democracies in the 1960s and 1970s. At an even broader level, the history of democracy in Germany since the foundation of the German Empire—and especially since 1945—carried a great deal of baggage. The political institutions of the Federal Republic, from the parliamentary system to the systems of monetary and economic control, were established with the goal of preventing a recurrence of the

gridlock and political demagoguery that led to the rise of fascism in the 1930s. In the case of the United States, the problem at issue was the way that political institutions functioned to create a space for wide ideological swings without causing systemic breakdowns. By contrast, Katzenstein applied semisovereignty to the case of Germany to explain how political institutions in Germany functioned precisely to mute the force of ideological conflict through enforced coordination among various political agents, but also via shunting certain kinds of disputes into the area of expert analysis (as opposed to ideological competition). Katzenstein described the motion of politics in the West German context as a process of "incremental change." This situation he explicitly contrasted to the above-mentioned ideological instability that characterized the United States and the western European industrial democracies in the 1980s.

Green and Paterson's collection seeks to examine and update not only the analytical concepts used by Katzenstein, but also the case studies to which they were applied. It includes contributions from such respected analysts of German political institutions as Wolfgang Streeck, Roland Czada and Klaus Goetz, as well as a concluding essay by Katzenstein himself. The book can roughly be divided into three parts. First, a series of essays updates the analysis of Katzenstein's nodes. In the second part essays address each of the case studies found in Katzenstein's original work (excluding university policy). Finally, some contributions seek to extend Katzenstein's analysis to institutional levels that had not yet emerged as factors at the time of the original volume: administrative reform and European policy. Perhaps the most important recurring issue is the distinction between incremental change and gridlock. Katzenstein is at pains to show that the incremental change model actually amounts to a means of getting things done, rather than merely one of differing or otherwise shifting decisions. *Pace* Katzenstein's explanations, however, it is arguable on the basis of his own evidence that there are historical and political circumstances that muted the level of ideological conflict among governing elites in West Germany.

The collection opens with an interpretive essay in which the editors discuss the political and historical considerations that have called forth the various attempts to reappraise Katzenstein's analysis. The essay frames the succeeding contributions by pointing out ways that German reunification and the changes in the Europe-wide and global economic environments have increased the overall level of systemic stress in German politics. It is

followed by three essays addressing how these changes have played out in the particular elements of the Germany polity identified by Katzenstein as the key nodes in the system. A number of points are of interest here. Wade Jacoby examines the challenges that German political institutions have faced in the process of integrating the new federal states into the already existing political architecture of Germany. Jacoby employs the theory of veto players to explain the inability of West German political and economic institutions to recreate the modes of cooperation and codetermination built up in West Germany over the course of the Cold War. Although a host of immediate historical contingencies have complicated this process, Jacoby's focus is structural, highlighting the capacity of various political actors to prevent radical change through their veto rights. This essay brings out a theme that is, to one degree or another, present throughout the collection. While the tendency of German institutions to mute political competition and decelerate change was a virtue in the four decades after 1949, the European and global environments are now changing with such rapidity that greater institutional flexibility is needed in order to cope effectively. Jacoby examines a number of cases; most powerful among these is the failure of attempts to apply West German labor market policies to the new federal states. There is an interesting contrast here between the Germany of the 1950s, traditionally seen as a model of successful development projects in the wake of the Second World War, and the reunited Germany of the 1990s, which failed to create growth even after the expenditure of some three billion euro.

A second recurring theme is the disorder wrought on existing political and parapublic institutions by reunification. Thomas Saalfeld's analysis of the changes in the system of party competition resulting from reunification shows how the carefully built-up system of alliances that stretched across localities, the federal government and the Bundesrat has been thrown out of balance by the more complex voting patterns of the electorate in eastern Germany. Charlie Jeffery extends this approach to an analysis of the new conditions facing German federalism. Here, too, we find increasing decentralization that, because of the complexity of the political environment, frequently gives rise to gridlock and the inability to adjust to conditions in a timely way. Perhaps the most compelling of these nodal analyses is Andreas Busch's treatment of the changing roles of parapublic institutions in the years since reunification. For Katzenstein, the parapublic institution was crucial to the functioning of the relatively weak central authority in Germany. Institutions such

as the Bundesbank, the Council of Economic Advisors, the Labor Courts, churches and private social insurance funds (to give only an abbreviated selection) worked with the state to coordinate policy and to provide bodies of expertise. The system worked to promote policy stability and to depoliticize certain key policy areas. The last fifteen years have seen this system of decentered politics put under stress at two important levels. Internally, the need to integrate the new federal states into pre-existing economic and social structures in the West has resulted in a wide range of new political, social, and economic stresses and has caused a considerable drain on economic and institutional resources. Externally, the expansion of European government, in particular the decrease in flexibility resulting from the strictures of the Economic and Monetary Union, has dramatically reduced the policy latitude available to the German government.

Busch studies three key institutions (the Bundesbank, the Treuhandanstalt and the Federal Employment Office) to illuminate the ways that the value of these institutions as shock absorbers and as guarantors of policy stability have been affected by these stresses. The case of the Bundesbank is of particular interest because of the role that it played in the postwar period. Responding to the challenges to German democracy made by the wild currency instabilities of the Weimar Republic, the Bundesbank has traditionally used a very aggressive interest rate policy to insure sound money. The foundation of the European Central Bank has been seen by many as sounding the death knell for the Bundesbank and for autonomous German monetary policy in general. While Busch notes this loss of autonomy, he sees the shift to the larger policy arena as a case of successful exportation of the German policy model. Busch's analysis of the Treuhandanstalt, the company created to liquidate the industrial and commercial assets of the East German state, and the Federal Employment Office (BfA) suggests that, here too, parapublic institutions have continued to form an important part of the policy arsenal of the federal government. Both institutions fulfilled their roles in absorbing the shock of transitioning eastern Germany to the western system of liberal capitalism. To the extent that the BfA has not succeeded in addressing the problems of the labor market effectively in the new federal states, this failure has had more to do with exogenous factors (such as the relationship of organized labor and capital) than to structural incapacity on the part of the BfA itself.

The series of case studies that follow the discussion of Katzenstein's nodes reflect many of the themes already discussed. Wolfgang Streeck provides a compelling ac-

count of the transformation of labor market policy in the post-unification period. Katzenstein had seen the structures of collaboration and codetermination in the relationship between business and labor as particularly important for the smooth functioning of the German economy under conditions of a weak central state. The prevalence of sectoral bargaining and the coordination of policy through peak organizations such as the German Federation of Trade Unions (DGB) and employers groups like the Federal Association of Industry (BDI) reduced the temptation for individual firms to derive rents from particularly hard-nosed labor policies. The decline in both the density of trade union membership and participation in the employers' peak organizations, combined with expansion of the national, regional and global labor pools have reduced the ability of parapublic institutions in these areas either to develop and implement effective policies, or to cushion the shocks of economic turbulence.

Roland Czada argues that the stability resulting from cooperative federalism in the area of social policy (and in broader areas as well) was in fact illusory and resulted more from the particular constellation of party power that existed for most of the 1980s. In the 1990s, the integration of the SPD and the trade unions into the corporatist system resulted in a degree of relative peace—at least until the progressive realization of the shrinkage of the overall pool of resources started to tell after the middle of the decade. Although, for Czada, the system of coordination described by Katzenstein still functions in important ways to facilitate an incremental approach to policy change, it is unclear that this system will survive increased pressure on the commitments of all of the relevant actors to preserve the existing system of consensual policy formation.

The question of immigration policy, as discussed by Simon Green in his contribution to the case studies, shows how changes in the policy environment can make the jump from an issue of the labor market to one with broader cultural and political implications. Once again we see the issue of twofold challenges, both internally in relation to the changes in the labor market resulting from reunification, as well as externally because of increased European integration and the adoption of a common immigration policy for the region. The possibility of extensive additions to the already soft German labor market has caused debates about this topic to link up with debates about citizenship and the preservation of German culture. As the often chauvinistic (and occasionally hysterical) discussion of *Leitkultur* in the German media has shown, the capacity of the state and peak institutions to

prevent the expansion of debates on this topic to wider social areas has reduced the effectiveness of the coordinating institutions of the semisovereign state.

The collection closes with an essay by Peter Katzenstein that is both an attempt to explain the historical imperatives that guided his original text and a reply to the criticisms of the continuing relevance of his approach found in this volume. After describing some of the peculiarities of the original book's publication history (such as his attempts to prevent the publisher from giving the book a brown cover due to the historical associations of that color), Katzenstein begins to address his critics by evincing skepticism that Germany's overall economic performance has been inferior to that of other industrial democracies in the period in question. Katzenstein argues for a more nuanced appreciation of the ways that changes in the national, regional and global environments have exerted pressures on various segments of German governmental and parapublic institutions. While the tone of many of the contributions to this volume is pessimistic toward the long-term viability of the institutions of the semisovereign state, Katzenstein is more measured. In "high-change policy sectors" the centripetal forces of globalization and regional reorganization have given greater scope for state intervention and partisan competition. Yet, for Katzenstein, it is still an open question as to whether this is a process of recalibration or one of demise.

In a series of articles and speeches written in the closing years of the First World War, Max Weber developed a conception of government in which governing institutions functioned as a framework for ideological competition while maintaining a rigorous separation between politics and expertise. Among his goals in doing so was to create a system that would allow political and economic conflicts to be settled in a way that did not compromise the viability of the German nation. In the post-war period, characterized by the need to overcome the Nazi past and to build a viable state on the front lines of the Cold War, German governing classes developed institutional structures designed to achieve these Weberian goals. With the national and regional transformations that occurred in 1989-90, German governmental and parapublic institutions have entered a new environment, one that is significantly more fast paced and dynamic than even the last decades of the Cold War. With unemployment rising to rates not seen since the Weimar Republic and with rates of economic growth mired in a continuing pattern of stagnation, it is now no longer clear whether the institutions of the semisovereign state will

be able to persist. The contributors to this volume have provided valuable contributions that endeavor to understand the complex and multifaceted changes now confronting the governing institutions that have served Germany so well in the preceding five decades. New opportunities have arisen, both for state intervention as well as for partisan competition. Clearly, some attempts have been made to come to terms with the structural problems facing the German economy and labor market, such as Gerhard Schroeder's controversial Hartz IV reform package. But the loosening of previous constrictions of party competition is one thing, the political will to effect comprehensive change is another. Even during the recent elections it was not entirely clear which of the politi-

cal parties was prepared to be a force for reform. This was made particularly clear during the campaign, when the CDU announced that it wanted to reverse some pension cuts enacted by the SPD government, only to be accused by a representative of the Green Party of "populist hypocrisy." The formation of a new grand coalition, particularly one in which control of the finance ministry is not in the hands of the lead partner in the coalition, leaves little room for optimism about the prospects for concerted, coordinated efforts on the part of the parties, the government and the parapublic institutions to address what appears to be a growing systemic crisis of German governing institutions.

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Citation: John Foster. Review of Green, Simon; Paterson, William E., eds., *Governance in Contemporary Germany: The Semisovereign State Revisited*. H-German, H-Net Reviews. March, 2006.

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