Chapter 9 examines the development of SPD policy on Economic and Monetary Union as the party moved along the opposition–government axis, when it became a government in waiting in the late 1990s and entered office in 1998 to be faced by the governance of the Euro-zone after the establishment of Monetary Union on 1 January 1999. The chapter will, first, chart the development of a more cohesive European policy in the mid-to-late 1990s as the party moved along the ‘road to government’ with reference to the policy confusion described in the previous chapter. Here, SPD European policy sought to establish issue-linkage between Economic and Monetary Union and European social and employment policy during the 1996–97 IGC leading up to the Amsterdam Treaty (1997). The party also sought to press the Federal Government on the maintenance of hard convergence criteria for the transition to Stage III of Monetary Union. Both of these policies were bound to the domestic aims of the party in attacking the Kohl Government on its performance in economic and social policy in Germany as the SPD developed its policy for government in the run-up to the 1998 federal elections.

Second, the chapter will study the course of SPD policy in relation to the ‘governance of the Euro-Zone’ after it came to power in 1998. In the first few months in power, the party had to come to terms with living with the Single Currency. The dramatic failure of Lafontaine to realise his goals for the European Union illustrated the need to come to terms with the new network of pressures and constraints in government. In a second phase in government, party leaders focused on the achievement of economic and social policy goals on the national level, satisfying themselves with the open method of co-ordination on the EU plane. The penetration of EU politics – with particular regard to the completion of
the Single Market – nevertheless demonstrated to the party the urgent need for closer co-ordination of economic and social policy to protect and promote the German social market model. Finally, the SPD European policy review published in 2001 set out the party’s goals for a social democratic EU.

The road to government

After the Mannheim Conference, with Lafontaine as party chairman and Schröder as a likely chancellor candidate, many had expected the SPD to adopt a more sceptical stance on European policy than was the case under Scharping,¹ who – as chairman of the parliamentary group – could be reigned in by the Bundestagsfraktion. Lafontaine, under pressure from the European policy groups within the party, nevertheless sought to make Europe an uncontroversial topic within the SPD. The aim was to formulate a policy that could incorporate different strands of thought within the party, so that European policy would at least cease to be a weakness in electoral terms. Lafontaine and Wieczorek-Zeul also aimed to use European policy for the party’s electoral advantage. Rather than simply focusing on the pros and cons of Monetary Union, the SPD would take the opportunity of linking Monetary Union to other issues with more electoral potential and more resonance to the party’s domestic political agenda. In immediate terms, the European policy groups – with the support of the party leadership and party chairman – were to increasingly link EMU to EU reform at the Maastricht revision conference in 1996.

Monetary Union and European social policy

Lafontaine’s opposition to the Maastricht Treaty was based on his view of EMU as a one-sided currency union. Agreeing to a social dimension to Monetary Union was not something that the Kohl governments were totally averse to, but any accord had proved impossible given the stance taken by the Conservative Government in the UK and the prominence of liberal economics-oriented governments in the EU. Many of the original architects of Monetary Union regretted this state of affairs. Lafontaine repeatedly cited the proposals of the 1993 Delors White Paper on the harmonisation of economic, fiscal and social policy. The foundation of EU social policy was, for Lafontaine, substantial integration in EU economic policy: ‘Only such a policy that is bound to the name of Jacques Delors and his proposal for a European economic government has the prospect of success.’² This position marked a strategic change in