

# **WE'LL HAVE WHAT THEY'RE HAVING**

## **How Decentralisation in Germany Created the Conditions for "The Great Transformation"**

**Frances Foley**

**Foreword by Lisa Nandy MP**

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### About the Friedrich Ebert Stiftung London Office

The London Office is part of the international network of FES. It was established in 1988 to promote better understanding of British- German relations, mainly by means of seminars and reports on political trends in the UK and Germany. The Friedrich-Ebert-Stiftung's work in the United Kingdom focuses in particular on the exchange of ideas and discussion on the following topics:

- common challenges facing Germany, the United Kingdom and the European Union
- economic and social policy
- experiences gained from the differing regional and local policies and practices – a continuing dialogue between politicians in both countries, particularly through a series of meetings for MPs
- a continuing dialogue between the trades unions, particularly via the annual British-German Trade Union Forum launched in 2002



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### **About the Powering Up Project**

Unlock Democracy and Compass are working together on a Joseph Rowntree Reform Trust funded project to build consensus around a new democratic settlement. With a focus on the Labour Party, other progressive parties and civil society campaigners, we are looking to create the conditions for a new 21st century democratic settlement for our nations, communities and citizens. For further information please contact [Tom Brake](#) or [Neal Lawson](#).

### **About Unlock Democracy**

Unlock Democracy argues and campaigns for a vibrant, inclusive democracy that puts power in the hands of the people. We seek a democratic participative process resulting in a written constitution that serves and protects the people. That constitution would define the roles of, and relationships between, the Executive, Legislature and Judiciary. It would determine how, and to what extent, power is shared between representatives at local, national and United Kingdom levels, and with international organisations. It would enshrine basic liberties and human rights for all.

### **About Compass**

Compass is a platform for a good society, a world that is much more equal, sustainable and democratic. We build networks of ideas, parties and organisations to help make systemic change happen. Our strategic focus is to understand, build, support and accelerate new forms of democratic practice and collaborative action that are taking place in civil society and the economy, and to link those with state reforms and policy. The meeting point of emerging horizontal participation and vertical resources and policy we call 45° Change. Our practical focus is a Progressive Alliance, the coalition of values, policies, parties, activists and voters which can form a new government to break the log jam of old politics and usher in a new politics for a new society.

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# Foreword

The foundations of a secure life have crumbled. Housing, food, heat and water have become completely unaffordable. For so many people simply living has become an almost insurmountable struggle.

Our social infrastructure - the town centres, libraries, buses and trains that make up a place and connect us to one another - have crumbled. Trust in politics, the only thing that can solve this, has collapsed - and no wonder. We can't go on like this.

In France, Germany, Australia and the United States, socialists have been grappling with how to meet the demands of people and places that have been neglected for too long. After years of focus on "efficiency" and "productivity", words like "dignity" and "respect" have made it back into the political discourse. In this there is much to learn from the recent victories of Olaf Scholz in Germany, Anthony Albanese in Australia and Joe Biden in the US.

In his novel *The Sun Also Rises*, one of Ernest Hemingway's characters is asked how he went bankrupt. "Two ways", he replies, "gradually, and then suddenly". The cost-of-living crisis feels sudden and dramatic, but the roots of the malaise run deep.

Britain is almost unique in trying to power a major economy using only a handful of people in a handful of sectors in one small corner of the country - the contribution of most people and places written off and written out of our national story. This has been treated as a regional or local problem but it is at the heart of our national crisis. With housing costs, air pollution and inequality soaring in our major cities, we desperately need to find a new sense of balance.

Growth has become the new mantra but until and unless we draw on the assets, talent and potential of all people in all parts of Britain the proceeds of growth will remain insufficient to protect living standards, power our public services and rebuild the fabric of a nation.

It will take a new mindset. Politicians talk of "fixing" a broken economy and "delivering" for Britain. But didn't we see during the pandemic that good leadership treats the people as partners in a national challenge? Leaders like Jacinda Ardern in New Zealand and Mark Drakeford in Wales offered a very different approach from the strong man, populist leaders of recent times, enlisting not just the help but the advice and leadership of the whole nation.

That is why we travelled to Germany to meet local leaders, community groups, trade unionists, business leaders and national politicians to see what we could learn in our quest to rebuild Britain. Some of the ideas in this report represent a significant break from the past – not all of them may work in a British context – but surely now is the moment to think big, to build an economy that works for us, not just us for it, a society in which everyone has a stake, and to smash up a century of centralisation and put power back in people’s hands – where it belongs.

Lisa Nandy MP

Shadow Secretary of State for Levelling Up, Housing and Communities

# Introduction

There's a temptation with any international exchange to assume the superiority of your guest country. The air is sweeter, the beer is cheaper and the grass a more striking green. And when you've arrived from a country where the party of government is disintegrating, where public sector workers are striking for decent pay, where the health system is breaking down and where sewage is washing up on the shores, the temptation is that much stronger. Meanwhile in Germany, a progressive-alliance government is busy implementing serious plans to tackle the climate emergency and social inequality. A glance over the fence seems to suggest that "*alles ist im grünen Bereich*" ("everything is in the green zone" - everything is fine). But during this fascinating exchange, I wanted to dig down into the soil for some clues to the conditions making this possible. If, as Compass believes, [we should approach politics less like a machine and more like a garden](#)<sup>1</sup> then I was here to get some tips on creating the fertile terrain for progressive change.

Our delegation of Labour MPs and civil society organisers was in Germany in July for a parliamentary dialogue organised by the Friedrich Ebert Stiftung: a 3-day trip to learn ways of addressing regional inequalities. During a packed schedule, from ministerial meetings at the Chancellery to excursions into Thuringia to meet the Social Democrats (SPD) in the regional parliament, we wanted to know how the German progressive-led government approaches what the Brits still clumsily call 'levelling up' and the Germans more ambitiously term 'the Great Transformation'.

The terminology itself hints at a fundamental difference of approach. 'Levelling up' supposes that some part of the UK – we assume London – has attained the status we should all aspire to. But the Great Transformation (with its associations with Karl Polanyi's book of the same name) points to a national, all-encompassing process of change. Significantly, the current German government also sees this 'transformation' as addressing the two biggest challenges of our era: social and regional inequality and the climate crisis. By contrast, whereas Boris Johnson's commitment to 'levelling up' recognised if not 'inequality' then at least 'imbalance', his speeches on the issue gave no attention to the social or cultural dimensions nor any reference to the climate. Whereas the SPD-FDP-Green government set out to tackle the overlapping challenges of demographic change, digitalisation and decarbonisation, the Johnson government sought mainly to drive economic growth in parts of the UK that had been "left behind". The idea that a fourth 'D' – democracy (or lack of it)– might underpin these inequalities in the first place, and therefore be part of the solution – has been entirely absent.

Yet on our trip to Germany this fourth D was never far from view. The two questions of how to tackle inequality and the climate crisis implies a third – the ‘how’ of political change. Can we shift both the structure and the culture of our politics to move further and faster on both issues? Can we do this democratically? Some argue that this change *requires* democracy, both in a minimal way (we need everyone bought in) and for maximum success (we need citizens’ engagement, experience and energies to make the transition). But every political system is itself a balance between legitimacy and effectiveness; citizens want politicians both to earn their power (and to be able to hold them to account) and to make positive changes when they have it. So, can we create a system that maximises democratic input while improving the quality of decision-making to meet these challenges?

To respond to these immediate challenges, democracy has to become a first order question. For while much is comparable about the UK and Germany’s starting points – social and regional inequality, deindustrialised regions in decline, cultural divides, the urgency of transitioning to renewables, improving infrastructure – it is hard to deny that Germany has a system that democratically enables progress. Put simply, Germany has a largely decentralised political system, and a proportional voting system. This combined constitutional setup enables financial rebalancing and allows for political innovation and electoral success at the national level. As we’re used to reminding ourselves, there’s no panacea or silver bullets. But throughout my trip, as a British progressive who spent years living and working in Germany, I couldn’t stop myself thinking in parallel: what could Britain do if we were to introduce PR and radically decentralise?

My organisation, Compass, has long argued for proportional representation and plenty of other organisations make the case elsewhere. So, for this report I decided to start with decentralisation, and follow through the cascading effect it has in Germany, what it enables and what it could mean for us in the UK, too.



# **Germany's decentralisation: irrigation for the nation**

The UK is the most centralised country in Europe and Germany one of the least. Throughout our short trip, we witnessed what is possible under decentralisation. When power is more widely dispersed, more local action is possible.

So how does the German system work? The first difference is that Germany's history – the formation of a nation state from a collection of autonomous states - means that it is more appropriate to think of decentralisation as continuity rather than change. Since its unification in 1871 the former German 'princelands' have formed Germany, an alliance that, whilst at times strained, has provided strategic advantages in the fields of trade, military defence and political influence. In contrast, the British regions – particularly in England – have not held any comparable level of autonomy for hundreds of years, whilst political and economic power has increasingly flowed to the capital.

The 16 German states retain their identity and their own structures of governance to this day, something that is clearly reflected in their cultural and political diversity. Each one is made up of 438 *Kreise* (districts) which have a high degree of influence over policymaking. At the federal level, the German government sets the direction for foreign policy, treasury, defence and immigration, while civil law, public health and the electoral register are the responsibility of the federal and regional states. Local states meanwhile set the policy for everything else: from education to law enforcement and internal security, from the penal system to levels of direct and indirect taxation, right down to planning and business opening hours. This means there is considerable heterogeneity across the country, with states operating different systems, with no assurance of equality of outcome. Yet it also means that states can create policy that fits their specific needs, aligns with their political composition and makes local leaders directly accountable to their electorates. This variation also allows for experiments in policymaking, so that different approaches to areas like schooling and taxation can be held up for comparison.

And these local debates don't just stay local. Germany's upper chamber, the Bundesrat, draws ministers from every state so that if opposition parties control enough states, they can mount effective opposition to the government's legislative agenda. This serves both as a check on the party or parties in power and keeps level out power between the federal and local. Each member of the chamber also has the power of veto on any statute affecting state representation, about 60% of all laws passed. This more even weighting between the national and the local is further reflected in the distribution of taxation: around 70% of taxes are almost evenly distributed between the federal government and the states while some, like beer or inheritance taxes, go straight to the state parliaments.

So not only do states hold significant sway at the national level, they also have the material resources to plan and implement policy locally. Underpinning this approach are the “federal equalisation payments”, an extensive redistribution of financial resources not just between federal and regional levels but also between the states themselves. These payments are meant to balance the varying financial conditions, enabling all states to fund local provision and ensuring greater consistency in the standard of living across Germany.

In the past, equalisation payments have been the lightning rod for friction between the states, such as during the 1990s when the ‘new states’ of East Germany joined the union. Since then, some states – historically those in the south and west of Germany - have been the net contributors: in 2015 only 4 states paid into the pot (Bavaria, Baden-Württemberg, Hamburg and Hesse) with Berlin as the biggest beneficiary. In 2020 it was announced that these payments would be abolished and replaced with new regulations, but in some form greater equalisation is set to continue.

Though this balancing of the powers has frequently led to political paralysis, it does ensure that successful legislation passing through the upper chamber secures a wide spectrum of political support. Local leaders are therefore not just powerful in their own areas, they also set national priorities. In fact, it would be more apt to see the country as the united states of Germany, with power flowing upwards from once autonomous states, rather than bequeathed down through a unitary centralised authority, as in the UK.

By contrast, even a cursory glance at the UK system reveals the deep-seated weaknesses of over-centralisation. When the national government is the only game in town, and that town is the saturated powerhouse of London, other parts of the country are, as Shadow Levelling Up secretary Lisa Nandy MP puts it “written off and written out of the national story”. We know where this leads - the symptoms are visible across our political discourse and parties. Depictions of places as ‘left-behind’ says more about those who use the term as the areas themselves. The image of the ‘Red Wall’ speaks of complacency and presumption. A former chancellor and candidate for PM seems to think Darlington – 10 miles from his own constituency – is in Scotland.

Unlike Germany, where distributed power allows for neglect to be articulated by local leaders, our political feedback loops are almost non-existent. This was powerfully articulated by Mayor Andy Burnham during the pandemic when he was able to leverage his soft power as a local leader to give voice to the lack of formal, constitutional power in the crisis, ironically a moment that bestowed upon him the moniker of ‘King of the North’: “This is no way to run the country in a crisis. This is not right, they should not be doing this, grinding people down to accept the least they can get away with”.

Though local authorities attempt to correct for the neglect or plaster over the problems, the steady corrosion of local government that started under Thatcher and continues to this day means that they are empty-handed, stripped of both material and symbolic power.

The implications for opposition parties are particularly damaging. In Germany, opposition parties can build up their regional power, gaining governing experience, improving their credentials, and increasing their exposure to voters. In the UK, progressives are already in power across the country – at the helm in Scotland and Wales, holding most metro mayor positions and leading councils in every region. Yet when it is national parliamentary majorities that unlock social and economic policy for the whole country, this is where most parties direct their focus. Everyone is intent on seizing the keys to Downing Street (and therefore control of the Westminster and Whitehall machine), from where, with no redress, the rest of the country's fate is decided.

Beyond the lack of local representation and responsiveness, this system is bad for accountability. When the only competition that matters is for central control, opposition parties struggle to get a foot in the door. They cannot leverage their local leaders to provide necessary opposition in government, as in the upper chamber in Germany. And they cannot point to the difference they would make in government as effectively, when regional and local leaders are hamstrung and underfunded.

But most of all centralisation undermines democracy because it's nigh-on impossible for any alternative to get a look-in. Democracy depends on competing visions of politics and society being debated, explored and experimented with. TINA (there is no alternative) has held such sway in part in the UK because beyond Westminster there is nowhere that an alternative has a chance to properly be seeded. This paucity of choice is written into our system. Over dinner in Berlin, our German counterparts were sober when we described the shadow ministry system, a system entirely foreign to them. With Labour as the chief opposition party for the last century – and out of power more often than not – they are trapped in the role as reactive antagonists to the party in power. They are constantly in response mode – critical and attacking - a position emphasised by the press who constantly approach Labour shadow ministers for oppositional reaction to the government's recent policy. There is little scope for Labour to either generate a completely fresh approach or indeed, to support government measures. Further, this binary – Labour as the literal 'shadow' of the Conservatives – sets up a narrow dualism meaning that other parties, other visions, remain out of sight. As Andy Burnham wryly observed when moving from government to opposition, he became a 'shadow of his former self'. It is a system that militates against alliances, essential for effective governance, and robs the public of the sense that there may be more to politics than the lopsided duopoly on offer.

Finally, this narrow spotlight on the Westminster show leaves the rest of the country in the dark. Differing approaches to political challenges scarcely break through into the media except at times of crisis, such as when Scotland, Wales or the North of England attempted different policies on pandemic lockdowns. But this variation had benefits: firstly, because many epidemiologists were advocating treating the pandemic as a series of epidemics, such was the difference in local circumstance. And secondly this divergence opened up a more expansive and informed conversation about trade-offs, priorities and effectiveness.

So, what immediate advantages might decentralisation unlock? There are four worth considering in greater detail: economic renewal; cultural rebalancing; local leadership and (whisper it) national electoral success.

**Advantage 1:**

**Regional renewal:**

**unclogging the**

**drains and**

**allowing capital**

**to flow**

The incoming German government in September 2021 was the country's first ever national three-party administration. At the heart of the parties' landmark 177 page-long coalition agreement was a core, radical idea: The Great Transformation, a pledge to tackle climate transition and social inequality together. It would be seeded in the 'structurally weak' regions of Germany - deindustrialised regions in both east and west, home to around 16% of the German population who had become accustomed to their local story as one of loss.

The German government, particularly the SPD ministers, looked first to their regional leaders to turbocharge the economic prospects of their region by attracting business. The incoming zeal of the new administration met the existing determination of local politicians. Plans included large scale retrofitting programmes and construction of renewables (which cover around 49% of Germany's energy use). Apart from the need for green transition, the initiative was also intended to uplift citizens' financial position, as food and fuel prices rocketed. But the reasoning was also deeper and broader: the need to place these areas at the centre of the national story of renewal, tasked with steering the shift to a post-carbon economy, boosting national GDP and weaning Germans off Russian gas.

This investment also sought to tempt workers back to these regions to settle for the longer term. Since 1989, the one-way traffic from East to West has represented an ongoing challenge for successive regimes. Stemming this tide is firstly about earning power: workers in the former east still earn 20.5% less than their counterparts in the rest of Germany and expect half their familial inheritance. But enticing people back to these regions is a matter not just of economic prospects but of cultural appeal. When we met Carsten Schneider, Federal Commissioner for East Germany, he told us that the new government was investing not only in industry, but in art programmes, academia and community infrastructure. This is as much about changing perceptions of these regions - from 'victims' of decline, to places which are skilled, culturally lively and open to the world.

Investment has already yielded pockets of green growth. A new Tesla factory in Grünheide, east of Berlin, is being toasted as a sign of the region's future economic competitiveness. In Magdeburg, 6.5 billion euros of investment is being pumped into new semiconductor factories by Intel to create computer chips. Down the road in Brandenburg, a Canadian clean tech company has plans for Europe's first lithium converter with the promise of hundreds of jobs. Stewarding this level of foreign investment is no easy task, especially when negotiating with investors from China, with famously lower labour standards, who bump up against Germany's unionised labour force. In Erfurt, the Chinese battery manufacturer CATL is investing 1.8m euros in its first facility outside the country, with a promised 2,000 jobs, but so far it is mainly circumventing German labour laws by bringing in Chinese workers<sup>2</sup>. But here national leaders can cooperate with their local counterparts: Schneider is also a member of Parliament for Erfurt and has close ties with the SPD-led local parliament who are working to agree these deals.

And when decentralisation applies to the financial sector, gains are multiplied. The web of regional banks in Germany are key allies when it comes to managing crises and jumpstarting recovery. Recent studies on the benefits of regional banking point to their soft power through proximity, their understanding of local context, making them ready to offer credit to trusted customers and new starters. The sheer coverage is striking - 450 banks per million of population, compared to UK's 150. When the 2008 crisis hit, the network of regional banks were on hand to inject capital quickly and precisely to undergird the local economy and ward off recession. In contrast, the UK banking system further narrowed its range of focus post-crash, bringing more financial power back to Whitehall. This move was mirrored by the systematic closure of bank branches across the UK, a pattern which hit the poorest hardest. In the year April 2015 - 2016 there were 600 bank branch closures, 90% of which were in areas with below median household income. In contrast, two thirds of bank openings were in wealthier neighbourhoods. But anchoring banks in structurally weak regions means more actors at the local level who are invested - both financially and psychologically - in the success of their neighbourhood economies.



**Advantage 2:**

**Challenging**

**preconceptions:**

**from cultural**

**deserts to**

**thriving oases**

Yet German politicians recognise that material investment only takes us part way. Decentralisation is as much about how people think and feel as what they have and do. The under-invested regions in the UK and Germany have been scarred by a pattern of lost spending power, but also of lost prestige.

It is what Schneider terms 'defizitsorientierte Politik'- politics based on a perception of deficit. This phenomenon has been meticulously studied in the UK, not least since Brexit in 2016, and is typically associated with the idea of being "left behind". But Germans conceive of this issue not as a race between regions, but as some regions being "am Rand" or "außen" – on the edge or outside - excluded from the core of decision-making. It is a circular imagery that potentially offers more scope for equality: a circle has a centre and periphery, but they can be linked up like in a spider's web. In a linear view of progress, there is no connection: the 'left behind' must run quicker to catch up.

Whilst regions in both countries have suffered from their inferior reputation in recent decades, this narrative can be challenged through a longer historical lens. Such regions were historically the proud engines of productivity, specialist industries and economic growth. In fact, it is this contrast which makes the last 40 years so painful. Yet by leveraging this past – the history of technical expertise in East Germany, the deep-rooted memory of industry and innovation in the North of England – these regions can be encouraged to reclaim their identities as net contributors, even pioneers, in their national story. Rather than a nostalgic view framed through loss, a national government could appeal to these regions as first responders to an age requiring that same radical innovation to tackle the challenges of climate change, demography and technological change.

Certainly, the German national government recognises this era as a decisive historical moment. The Friedrich Ebert Stiftung's recent report [\*Disregarded\*](#)<sup>3</sup> points out that the current German government believes the transformation we need is distinct in many ways. Firstly, the question of duration since these changes will take time and have to be sustained. Secondly, exceptionality as the crises we're confronting have no historical precedent. Thirdly, asynchronicity as the different parts of this process must proceed at their own pace in their own way. And lastly the co-evolutionary character of such transformation - how the subsystems of the transformation will interact - will make it hard to control centrally. It is these last two characteristics especially that demand radical decentralisation and the plaiting of local, national and international approaches.

The report reveals that climate is a major concern, but that residents also worry about their region's prospects within a climate transition. Recent experiences of similar societal and political upheaval have cast a long shadow: for the most part, these areas have had change imposed upon them, sometimes to devastating effect. Will they yet again be sacrificed in the name of necessary "transformation"?

If these regions are once again 'done to' and left worse off, it will entrench inequalities, inflame political disaffection and push electors towards extremism. But transition is also an opportunity: if the national government can call upon the potential of these areas to write the next chapter of Germany's future, it could usher in both economic gain and, more importantly, a shift in power and perspective. These 'structurally weak regions' can come to be seen by themselves and others not as drains, but as drivers of innovation and development.

Yet patient and sensitive work is needed to unpick the cultural divides that still fester in Germany. When Carsten Schneider described the condescending attitude amongst some city dwellers towards their small town and rural compatriots, the Brits around the table nodded along. The tale of the graphic designer in Berlin, earning 2,500 euros a month, who looks down on the factory worker in Erfurt who takes home 3,500 has resonance across the continent. These attitudes are anchored in class and cultural hierarchy rather than economic reality: citizens in towns and rural areas are seen as parochial and uncultured. Schneider blamed some of this on mainstream media, drawing a distinction between "public opinion" and "published opinion" - the latter all too often written by urban liberals. In contrast, the SPD framed their most recent manifesto around 'respect, contribution and tolerance'-values citizens saw as lacking in the general population and certainly amongst their political representatives.

For progressives in the UK, too, a path to power means forging an alliance between these demographics. But in building these bridges, we must guard against caricature: we reject the pastiche of the latte-drinking Londoner as strongly as the builders' tea-brewing Boltonian. This doesn't mean ignoring real differences, in politics, economy or culture. But it falls to progressive parties - first among them the Labour party - to eschew false binaries and chart a political course that can bind together their voter base. Some of this means making clear commitments on hard economic metrics- like the popular promise to raise the minimum wage that put Olaf Scholz in the chancellery. But it also demands a suite of policies that appeal to every region: on the cost of living, housing prices, education and public services, climate and infrastructure, uniting demographics and social classes. These priorities could feed into an overarching story that could be galvanising and unifying, if only a leader - or leaders - had the courage and creativity to tell it. This bridge-building bolsters the work of 'levelling up' parts of the country. It starts with 'structurally weak' regions selling themselves to younger demographics, including those who have been priced out of the bigger cities, by offering them both economic prosperity and the opportunity to overcome cultural preconceptions.

This has particular appeal for younger demographics. As Lisa Nandy has described, in the UK young people from areas marked by decline face a stark choice: stay where they are for their community, family, roots and belonging or move to a bigger city for ambition, opportunity, work and aspiration.

With burgeoning industry and culture close to home comes the opportunity to have both: to put down roots where you grew up and pursue a career, following ambitions and feel a sense of status.

And, to shatter another stereotype, the FES report found that the 13 million citizens in these German regions have unexpected optimism about the future, unwilling to wallow in hazy memories of the “good old days”. National and local leaders can approach these regions not as victims needing help, but as regions rich in experience of psychological and literal change. They can emphasise ‘capability’ and ask: when you last underwent a historical shift, what helped? What can you teach us? What can you lead on? The report sees this challenge as no less than an “acid test for democracy”- how every citizen can contribute to and be reflected in our national story.

This national story must start at the roots, with the question of what brings people *local* pride. Who better to articulate this than those who already live there? In Germany, prominent figures like Scholz swapped ‘flying visits’ during election season with immersion trips. This cements a sense of unity across the party: national figureheads showing curiosity in and indeed “respect” for what this region had to teach the rest of the country, with local candidates perceived as spokespeople for their region.

**Advantage 3:**

**Sowing seeds in  
natural habitats:  
growing local  
leaders**

Citizens' estrangement from politics is not just emotional, it's physical. Even in Germany, decisions made far away in Berlin shape the lives of those hundreds of miles from the capital. But by giving autonomy and power to even the smallest places on the map the German system vests power in local leaders to act as the representative of a party that straddles these political layers. When this works, joining a party means the chance to be part of a movement effecting change across the country. But a tree lives or dies by the health of its roots and local leaders act as a tap root into a place, grown as they are in the soil of local customs and culture.

Bad Tabarz, a small town of 4,000 inhabitants around 30 miles away from Erfurt, is just such a place. David Ortman, the local SPD mayor was quick to tell us about its rich history as a place of healing, a reputation it retains to this day. (Ortman is aptly named: *Ort* means 'place'). Early experimentation with physiotherapy earned the place renown as a site of restoration, a tradition continued by locals, who feel they live in and make their own history rather than being pulled along by history.

In Berlin we'd heard about the pivotal importance of infrastructure, innovation and investment. But here all the talk was of culture and ethos. Motivating Ortman's work was a vision of healthy lives, from young to old age, lived in and with the natural landscape and with a strong emphasis on community. The mayor's presentation to us opened with the bold statement: "no one should be lonely". This morality was to shape every political decision made in Bad Tabarz, where a commitment to sociality implies collective responsibility.

This vision of the good life fuels all the mayor's practical policies. The town offers free swimming to young children, a strong emphasis on healthy eating in schools, where meals are cooked from scratch and from local produce, and investment in public recreation areas. An emphasis on outdoor education means school children are familiar with the forest surrounding their town. A lively programme of volunteering, especially for the retired, starts by asking people how they want to spend their time. Offering existing skills is welcomed, but there's ample opportunity to try something new – tending to local greenery, volunteering at the clothes swap or taking children on nature walks. For the very elderly or those with dementia, a day care service is available. There's a local currency and public authority workers receive 10% of their pay in coupons in order to promote circular spending. The town benefits from a thriving tourist industry and funnels the profits back into the public purse, funding communal gatherings and parties.

At the core of this is the value of sociality for its own sake: opportunities for the community to come together and enjoy life lived collectively. To this end, the mayor holds a year-round series of free outdoor concerts, the purpose of which is simply to offer the chance to connect. While we sampled local cakes, he shared a photo he'd snapped from his office: his neighbours, young and old, gathered together to enjoy music, food and drinks in the evening sunlight. When he sees this, he told us, he knows what he's working for.

There is a view that to counter alienation, power – and by proxy politicians – needs to be *brought* closer to people. But in Bad Tabarz, this felt like a misperception. Thanks in large part to real subsidiarity (power devolved to the lowest possible level), local leaders are not a class apart, but rather from the people, creating a tighter feedback loop between citizens and political decision-makers. Power is literally closer to home. Acting as an enabler, the mayor can use the power of his office to fulfil the plans of his constituents who are also his neighbours and friends. Judged by our two metrics for any system of governance, decentralisation is both more legitimate and more effective. The mayor earns authority by being a member of the community, using his local power to implement local plans.

This emphasis on social connection – both between residents and between citizens and decision-makers – helps address the democratic deficit that also persists in Germany. The perception of political change as decreed by those ‘at the top’ (“*Die Da Oben*”) came through strongly in *Disregarded*<sup>4</sup>. But it also revealed that citizens still believe in the efficacy and importance of democracy as a system. Part of this is about personifying democracy through local leaders - individuals who can point to the difference they make: Mayor Ortmann is proof of the effectiveness of being a presence in your own community rather than presenting as a professionalised service provider. This is all part of the fight against alienation. The FES report recommends that parties think less about projects and more about process. Participants in the study frequently expressed strong emotion when speaking of the power imbalance, from anger at the elites to tears of gratitude for being given the chance to speak. If this chance came more frequently – in the pub or the local café or over coffee in their own homes – citizens could begin to see politics as something that happens outside their own front door. This perception could then be formalised into the idea of ‘codetermination’, which can take the form of deliberative forums – citizens’ assemblies or ‘future councils’ both of which have been shown to work well from Schorndorf to Stuttgart.

Strengthening local democracy is not about mollifying citizens or bestowing on them the ‘right to be heard’. Political parties too often think of participation in thin, even patronising ways – consultation, focus groups, ‘listening’ exercises. And yet it is the decisions and actions of citizens that will make or break any Great Transformation. When such a policy works, project delivery and process tessellate: local dialogue sets the direction and citizens help make the transformation.

Starting at a foundational level may feel counterintuitive for national politicians used to commanding from the centre and demanding speed and scale. But there is immediate return on investment in small scale projects such as housing retrofits and insulation. Not only do they improve the lives of citizens directly, they provide jobs for local tradespeople and, significantly, build trust in the wider mission.

When planning transformative change, unlocking the hyper-local is as much about efficiency as the right to be heard. It's an idea neatly encapsulated in the German term "lokale Daseinsvorsorge" – the provision of services on a hyper-local level, usually by publicly run companies. This approach injects democracy through the system. In the past, politicians have been apprehensive about engaging citizens in policy debates, believing they will argue for a slower pace. But many communities are desperate for rapid change and welcome investment, even when it brings disruption. Where citizens do express concern, it is often because they have been at the sharp end of accelerated social policy, such as in the post-reunification period. When these views were interrogated, the anger was not principally about the pace of change, but rather about that change being imposed. This creates a cycle: citizens are not consulted for fear they might undermine progress and this exclusion breeds resentment, causing citizens to dig in their heels.

In response, the FES recommend refocusing on the 'democrat' of 'social democrats'. Democrats need to push back against both elitist technocracy and collective pessimism. The aim, according to the FES, should be not to "take people with us", but rather to tap into the "potential of social spaces and intellectual impulses" which can help power this transition. When consulted about upgrades to democracy, citizens are full of ideas. *Disregarded* reports that participants wanted to bring in "policies adapted to the future, political processes, abolishing lobbying, reducing parliamentary allowances, improving accessibility and encouraging young people to participate"<sup>5</sup>. These are solid suggestions you can start at the local level. But to enact this level of political and constitutional change, you need to first be in power...



**Advantage 4:**

**Rebalancing the  
ecosystem helps  
win elections**

For parties that have been out of power for more than a decade, there is a real sense of urgency to win an election. But for this, party unity is essential. Here too, Germany offers a proposal which is the two-pronged approach - unity of purpose and of party. Importantly, these two must be pursued in parallel, or even brought together to create a virtuous circle: the purpose gives the party a mission and momentum, around which the different party factions can unite.

In 2021, the need to win by squaring a radical programme with the appearance of moderation raised the profile of Olaf Scholz. As the former keeper of Merkel's coffers, he was able to give the bold vision expressed in the SPD manifesto a reassuring, familiar face. Scholz is the essence of respectability and stability, at times playfully courting comparison with his former boss by mimicking her signature triangular hand gesture. And yet for those party members and SPD voters who feared a continuity of Merkel's politics, party balance was provided by the election of Saskia Esken and Norbert Walter-Borjens as party co-leaders. In late 2019 they had beaten Scholz and his running partner Klara Geywitz to steer the SPD leftwards. Having secured this totemic win, the left of the party was open to the idea of supporting Scholz, who polled well with voters during the Covid crisis.

Scholz repaid this by actively supporting more left-wing candidates in the northeast of the country, a former CDU stronghold which in state elections in 2021 swung to the SPD by nearly 9%, as the party secured almost 40% of the vote. This was achieved by combining the solid promises of Scholz's campaign – a ruthless focus on economic essentials such as the promise to raise the minimum wage to 12 euro an hour – with the energy, vitality and local knowledge of the young rebels in the party. Their dynamism provided counterbalance to Scholz's strong and steady image and importantly, the left knew they would have a voice when it came to coalition talks.<sup>6</sup>

This winning combination of the appeal of a more centrist candidate and an energetic regional campaign led by local leaders and organisers is achievable in the UK. Progressive parties are already in power across the country and making a real difference. From Marvin Rees' affordable homes in Bristol to Mark Drakeford's basic income pilot scheme in Wales, from Andy Burnham's homelessness strategy in Manchester to Georgia Gould's climate change citizens' assemblies in Camden, progressive leaders are delivering creative and pragmatic policy. This success is solid electoral ammunition.

In Germany, party balance is enabled by their system. Decentralisation and Germany's mixed proportional voting system help keep balance within political parties: the former encourages them to tilt away from the central/national towards the regional/local, the latter demands compromise between different ideological factions. The party 'leaders' are alternative representatives and can act as an ideological counterweight to their candidate for chancellor, who must appeal to a broader base.

This means that parties must pay close attention to their own equilibrium, because internal power is more dispersed – requiring the constant, healthy process of negotiation. Their approach is in sharp contrast to the current dynamic within UK parties, where the gravitational force pulls everyone towards the national and the centre (the leader’s office), heightening factionalism, infighting and a narrow obsession with the Westminster scene.

The SPD’s decision to focus on party unity in the run-up to 2021 was strategic. But Germans are forced by their structure and culture to think laterally to create a winning formula. Decentralisation demands they balance national, regional and local, getting their leaders to agree on a programme. Moreover, PR means they must reach out to other parties to build a parliamentary majority. When it works this process gives local leaders in the party a way to contribute, draws in the best ideas from different factions – and indeed other parties – and is genuinely democratic, representing as it does a much larger cross-section of the party and the public.

If UK politics is characterised by control from the centre – whether Westminster or the party leader’s office – German politics is best understood as a network, with multiple nodes - regional, factional and ideological. The UK system is a vortex, a centripetal force with focus and resources sucked towards the centre (or drain), whereas German politics is ironically unlike a ‘Strudel’ (or whirlpool) and more like a fountain, with water moving through the system in complex ways, often more centrifugal, with power pushed to the outer perimeters. The German system can be more difficult to grasp, making the question of where and with whom power lies harder to answer. So, before we risk seeing the German system as too rosy, it’s worth remembering that internal party machinations and multi-faceted negotiations between parties post an election can leave most German voters behind. With its emphasis on consensus and alliance-building, decisions about forming a government happen out of sight of the public, with accusations that this is less transparent. Yet this balancing of power is partly an attempt to represent more voices, interests and factions. And it avoids the brittleness of the UK system, where any cracks in the centre bring the whole edifice down.

In a further example of centralised power, whereas German elections feature multiple party spokespeople and coalition agreements worked out with many stakeholders, UK party leaders are typically the single face across all of their election material. The German system rewards negotiation, consensus building and teamwork. This gives rise to the “pluralistic garland of ideas and perspectives” the FES (which has strong ties with the SPD) believes necessary for the transformation. But in the UK it seems that party discipline and a strong leader deliver the only prize worth winning: control of Westminster. The corollary of this can be a lack of trust, whack-a-mole factional infighting and a leader who must appear to be in the driving seat at any cost. In Germany, most parties have co-leaders, whereas only the Greens have taken up this idea in Britain. The idea that a team, rather than an individual, might run the country, is still not firmly embedded in UK political culture.

This comparison demonstrates that, while centralisation has its benefits (simplicity, concentrated power and clarity of focus), it holds in place a system that is ill-suited to an age of rapid change and complexity. The German system distributes power not only across many geographical sites, but also across multiple actors in the party – and indeed across multiple political parties. This not only draws in more voices, but also demands alliance-building and deliberation. There are more actors to work with, but this means more people are responsible for making policies successful and also more legitimacy as the mandate is stronger.

**So how might we  
experiment with  
this on our own  
soil?**

We cannot be Germany and nor should we try; their history and political trajectory has been very different from ours. But on these shores too there are strong signals that the public wants to decentralise, to open out and evolve. Look across the UK and you see progressive alliances in local councils from Richmond to Milton Keynes, and Labour governing with Plaid Cymru in Wales. The big upsurge of support for PR amongst Labour members meets the consistent support for smaller parties - from the Greens to UKIP - over subsequent decades. The popularity of trailblazing local leaders like Andy Burnham is dovetailing with the enthusiasm for localism, community politics and 'Citizens' Action Networks'. Even the big upheavals in a turbulent decade - the demand for independence in Scotland and the centrality of sovereignty, democracy and 'control' in the Brexit referendum - point to a country straining at the bit, wanting to break open (or break up). Questions about democracy, participation and power are never far from the surface.

So, what can we do to ensure that the seeds of this new politics can germinate, sprout and flower?<sup>7</sup> Firstly, we need to convince more people that decentralising can help address our malaise. It would improve governance through increased transparency, competition and space for alternative approaches and give citizens decision-making power and material resources. It would trigger a fundamental reset of political gravity within government, but also in parties, as MPs and ministers would adjust to sharing the space and negotiating with political leaders from their own party and others at all levels.

For this to work, we need to foster a feeling of shared nationhood. Whilst all decentralised nations experience intra-regional disputes, the UK is locked in a binary: London/the southeast versus the rest. As well as economic and educational disparities, this creates resentment. As Nandy puts it "a great rebalancing" needs to take place for us all to feel stronger social solidarity. Decentralising would generate a plurality of power bases, leading to healthy policy competition, which will take time. But some impacts, such as the rebalancing of investment and leadership, will be immediate. At the very least, people will be forced to see their country through a much wider lens. The lesson I took from Germany is this: that if "levelling up" is to mean anything, it must apply to more than regional inequality. To create an agile, responsive and robust system, power has to be distributed better: across our country, our parties and within them. We need decentralisation to unlock the potential of local regions to shape their own futures. We need to modernise our voting system to allow many more citizens to be represented in national politics and to draw the best thinking from different places and ideologies. And we need more democratic and representative parties, with multiple leaders and a team culture to encourage pluralist thinking and deliberation.

The Labour party should be preparing for this now. It is a shift that would make allies of other progressive parties whose support could be crucial not only to forming a parliamentary majority but to implementing devolution.

Labour must come to realise that a shake-up of politics is the key to breaking the social, economic and constitutional paralysis that has held back Britain over successive decades. It is the precondition for all other political change.

Under a progressive government with the will and the mandate, transformation is possible. It would reduce the fixation on Westminster and require parties to be more agile in their response to fast-changing political circumstances. With a constitutional restart, parties could draw from the best of their resources to stay relevant in a more competitive system. In fact, to reflect this diffusion we should think of this as levelling out, rather than up.

We should go a step further. For the Tories, 'levelling up' inequality is essentially economic. There is nothing in their strategy about redistribution of power, control or democracy. An understanding of the German case makes clear that political and constitutional conditions are the soil in which everything else grows. So perhaps it makes more sense to understand our task not as "Levelling up" but as 'Powering Up'. This means tackling problems at their roots – and in a centralised system it's clear where those roots are. Wresting control from remote and centralised party cabals and dismantling the binary First Past the Post system can refresh the soil, allowing the shoots of new ideas to take root. And in time, perhaps our dried-out lawns will become the greener grass to inspire our neighbours.

# Endnotes

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