



FROM THE D-MARK TO THE EURO AND BACK? EFFECTS OF GREEK CRISIS IN GERMANY

The May-June period has been no less troubled for German Europeanism than the previous two months: the country is divided over an idea of Europe and European Union, and in turmoil as a result of its relations with France and a rudderless federal coalition between the CDU/CSU and the liberals of the FDP. The Greek crisis and its potential repercussions on other EU and Eurozone member states has delivered another crippling blow to the charisma of Angela Merkel at home and abroad, in both domestic and foreign affairs. With the defeat of the CDU in regional elections in Germany's most populous *Land* and the unexpected resignation of the President of the Republic, Horst Köhler, originally designated by Merkel herself, followed by the rejection by the CDU of her proposed replacement, Ursula van der Leyen, in favour of a "Wessi" who has the backing of West Germany's christian-democratic establishment, the hard-fought election of the new President of the Republic, Christian Wulff, on 30 June, marked one of the chancellor's worst personal political defeats. Symbolically, too, 30 June seems to be an ill-fated date for Chancellor Merkel, as it was on 30 June 2009 that the supreme court in Karlsruhe blocked her European project with a ruling on the "constitutionality" of the Lisbon Treaty.

1. Europe between Lisbon and post-Lisbon

The risk of a public finance collapse in Greece has sent waves of concern across the EU and the Eurozone in recent months, but in Germany the concern has in some cases taken on the overtones of panic. In a country which in the post-1945 period created a currency, a democracy and prosperity (in that order), the crisis of the euro, which was accepted with reluctance by the Germans as a replacement for the D-Mark, has revived fears of the hyper-inflation of 1923 and the threat to social and democratic order. Quite apart from the possible fall-out from the Greek economic crisis, the situation has clearly dealt a further blow to Angela Merkel's brand of German Europeanism, which has been on hold at least since the end of the German semester in the first half of 2007. The laboured outcome of the Lisbon Treaty was all but nullified in Germany by the economic

crisis and the “constitutional safeguards” set in place by the judges in Karlsruhe on the European policies of all future German governments. Despite repeated statements about the “primacy of European politics in Germany” (1), the court ruling in June 2009 has “now clearly become a sword of Damocles hanging over the German government's freedom of Europeanism” (2).

Whereas the conservative *Frankfurter Allgemeine Zeitung* and the liberal *Süddeutsche Zeitung* differ in their assessments of the chancellor's performance during the crisis, they agreed on the need to shelve the old Europeanism based on “peace and security”, as it is not politically persuasive for the new generations. This is why the *Frankfurter Allgemeine Zeitung* had no difficulty making the connection between the crisis of the euro and the crisis of Europe by stating that “if the Germans were to lose faith in the euro, they would lose faith in the European project”. It was a straightforward matter for Germany's leading daily to demonstrate that Lisbon had made only marginal adjustments to a weak Europeanism which, over the past 20 years, has acquired a speed which it didn't have before, but needs to be recast in view of the old continent's new global role (3). The yellow-black coalition's vacuous new foreign affairs minister, the FDP leader Guido Westerwelle, has only helped to make the future of Germany's Europeanism all the more inscrutable (4).

The crisis of the euro has sparked a very interesting debate in Germany. It has revived what Habermas called “D-Mark nationalism”, a characteristic of German post-war culture until the arrival of the euro in 2002 which was founded on three principles: the end of war, the end of mass unemployment, the end of inflation. In this sense, calls for a “euro nationalism” in Germany's most pro-European paper, *Süddeutsche Zeitung*, showed a clear awareness of the crisis at a moment of transition for Europeanism between a “political project of the elites” and a passion which must become much more a part of the politics of the masses (5). On the other hand, the Greek crisis has made it clear in Germany that the Lisbon Treaty has done little to impress either the world of finance or key global players, and that the EU must persuade the world that it intends to save European stability despite ongoing instability in relations between France and Germany regarding the forms of future European economic governance (6).

2. German economics, French politics

Relations between Berlin and Paris have once again turned sour as a consequence of the situation in Greece, not long after last year's wrangle over Sarkozy's plans for a "Mediterranean Union", opposed by Merkel and the countries of Northern Europe. Merkel won that bout and the Mediterranean project was contained, but the crisis of the euro has once again brought to the fore the polarity between the France and Germany's respective visions for relations between Europe's economy and politics. With Germany advocating a central role for public economics and finance, seen as variables independent of European politics, Sarkozy's proposals for "European economic government" have caused friction in the relations between the two countries, to the point that Germany cancelled the bilateral summit scheduled for May. The tensions in May did not ease in the ensuing weeks, when Europe went through what the *Frankfurter Allgemeine Zeitung* defined as a debacle for Europe: "until the markets receive clear signals from France and Germany, there will be no resolution to the crisis" (7). However, it is not only a matter of divergent views on the relationship between the economy and the primacy of politics, but also a question of a change in the nature of relations between the two countries. The Munich daily acutely observed that there is a feeling in France that Germany no longer needs its key neighbour and ally, either economically or politically; since the fall of the Wall, Germany has been a complete sovereign state whose sphere of influence is more in the East of the continent than the West (8). On the other hand, the *Süddeutsche Zeitung* itself acknowledged that there was greater consistency with the "reforming logic" of the Lisbon Treaty in Sarkozy's vision than in Merkel's immobilism (9).

If Merkel has indeed recognised the need for greater coordination in economic policy, then it is also true that progress has been made in marrying the German vision of a "primacy of economics and budgets" and the French vision of a "primacy of politics". But there are clearly other factors as well. Firstly, Germany rejects the subtext of the French proposal, namely a redressing of the disparity between French and German competitiveness – all to the detriment of the latter (10). Secondly, Germany's proposal has far greater appeal in Eastern Europe than France's, and this is a defining factor in the political-economic choices made by Berlin (11). Ultimately, Berlin needs to understand the fear still

caused by the possibility of Germany going it alone in Europe: in other words, the "German question" (12).

3. The dilemma of the D-Mark and the German question

If the euro was a monetary response to the threat of *Sonderweg*, of a "particular path" for Germany in Europe, then the crisis of the euro will inevitably strike a special chord in Germany and the countries most directly affected by Germany's first territorial, then economic expansionism. For this reason, the Greek crisis reinforces calls for the "euro pact" to be redefined in accordance with the developments of recent years. In particular, there have been calls for a new pact demanding that (financially non-virtuous) member states "relinquish their national sovereignty" (13), in order to safeguard the euro and with it German Europeanism. But it is also clear the Germany's European politics and its necessary economic corollaries are under attack not only from neighbouring France but also from the Keynesian policies of the United States under Obama (14). Indeed, Germany has begun to sense that it is being branded as the new example of "bad Europeanism" in which budgets are more important than social peace (15), and the conservative *Die Welt* raises the question of whether it is best to save Europe *or* the euro, given Germany's failure to show non-Europeans the correct way and the risks of an elephantine Europe of the kind advocated by France (16). That the "German question", namely the question of Germany's role in European politics and economics, has returned – courtesy of the Greek crisis – is evident. Over the past two decades, the debate has been put on hold by a technocratic project to manage Europe, but now the German question has been reopened in European history, in which Germany has always been too small to lead Europe but too big to grow together with the other countries (17).

4. German policy in turmoil

There was criticism across the political spectrum for the chancellor's actions at an international level. Not only the radical *Tageszeitung*, but also the *Frankfurter Rundschau* has spoken of Germany's "international isolation" during the crisis of the euro (18); the authoritative *Die Zeit* spoke of the chancellor's cool approach to the demands of the current crisis (19), whereas Berlin's *Tagesspiegel* called for greater "pathos" for Europe from the government and accused the chancellor of doing nothing to fill the power vacuum in respect of

Europe (20). It is hard to say whether the crisis in Germany's Europeanism stems from a crisis in Merkel's model, whether it is the other way round, or what the relationship between the two eclipses really is. But there is little doubt that Germany's public debate sees the two crises as coinciding with and relating to each other, and likewise that the crisis of the euro is largely an epiphenomenon of a crisis in the home of the euro, Germany, and its political leadership.

- (1) Reinhard Müller, *Europa in Karlsruhe*, Frankfurter Allgemeine Zeitung, 18-05-2010.
- (2) Klaus-Dieter Frankenberger, *Euroföderalismus*, Frankfurter Allgemeine Zeitung, 12-05-2010.
- (3) Klaus-Dieter Frankenberger, *Europa ist noch nicht am Ende*, Frankfurter Allgemeine Zeitung, 06-05-2010.
- (4) Nikolas Busse, *Die Krise durchstehen*, Frankfurter Allgemeine Zeitung, 19-06-2010.
- (5) Gustav Seibt, *Der Euro-Nationalismus*, Süddeutsche Zeitung, 04-05-2010.
- (6) Martin Winter, *Nachrichten vom Hühnerhaufen*, Süddeutsche Zeitung, 07-05-2010.
- (7) Günther Nonnenmacher, *Ein Debakel*, Frankfurter Allgemeine Zeitung, 16-06-2010.
- (8) Claus Hulverscheidt, Michael Kläsgen, *In der Nähe so fern*, Süddeutsche Zeitung, 15-06-2010.
- (9) Cerstin Gammel, *Der Club der 16*, Süddeutsche Zeitung, 18-06-2010.
- (10) Sascha Lehnartz, *Immer diese Bedarfsfälle...*, Die Welt, 16-06-2010.
- (11) Claire Demesmay, *Frankreich - Deutschland: 0:2*, Süddeutsche Zeitung, 17-06-2010.
- (12) Albrecht Meier, *Merkel hat alle Fäden in der Hand*, Der Tagesspiegel, 18-06-2010.
- (13) Alexander Hagelüken, *Ohne Euro-Pakt ist der Euro nackt*, Süddeutsche Zeitung, 09-06-2010.
- (14) Nikolaus Piper, *Klotzen, nicht kleckern*, Süddeutsche Zeitung, 23-06-2010.
- (15) Stefan Kornelius, *Schlechte Europäer*, Süddeutsche Zeitung, 25-06-2010.
- (16) Michael Stürmer, *Was wird aus dem Euro?*, Die Welt, 25-05-2010 e Herbert Kremp, *Marsch in die Transferunion*, Die Welt, 19-05-2010.
- (17) Michael Stürmer, *Die deutsche Frage ist wieder da*, Die Welt, 05-05-2010.
- (18) Markus Sievers, *Merkels Schummelei*, Frankfurter Rundschau, 03-05-2010.
- (19) Matthias Krupa, *Wund, aber stark*, Die Zeit, 06-05-2010.
- (20) Moritz Döbler, *Pathos für Europa*, Der Tagesspiegel, 06-05-2010; Stefan-Andreas Casdorff, *Die "Herrschaft des Volkes" ist in Gefahr*, Der Tagesspiegel, 16-05-2010.