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Can the rest of Europe stand up to Germany?

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^[1]As financial markets slide toward disaster, scarcely pausing to celebrate the "success" of the Greek election or the deal to recapitalize Spanish banks, the euro project is finally revealing its fatal flaw. One country poses an existential threat to Europe – and it is not Greece, Italy or Spain. Every serious proposal to resolve the euro crisis since 2009 – haircuts for bank bondholders, more realistic fiscal consolidation targets, jointly guaranteed eurobonds, a pan-European bailout fund, quantitative easing by the European Central Bank –

has been vetoed by Germany, and this pattern looks likely to be repeated next week.

Nobody should be surprised that Germany has become the greatest threat to Europe. After all, this has happened twice before since 1914. To state this unmentionable fact is not to impugn Germans with original sin, but merely to note Germany's unusual geopolitical situation. Germany is too big and powerful to coexist comfortably with its European neighbors in any political structure ruled purely by national interests. Yet it isn't big and powerful enough to dominate its neighbors decisively, as the U.S. dominates North America or China will dominate the Far East.

Wise German politicians recognized this inherent instability after 1945 and abandoned the realpolitik of national interest in favor of the idealism of European unification. Instead of trying to create a "German Europe" the new national goal was to build a "European Germany." Unfortunately, this lesson seems to have been forgotten by Angela Merkel. Whatever the intellectual arguments for or against German-imposed austerity or the German-designed fiscal compact, there can be no dispute about their political import. Merkel's stated goal is now to create a "German Europe," with every nation living, working and running its government according to German rules.

Merkel doubtless believes that she is helping Europe when she maternally [instructs the Greeks, Italians and Spaniards to "do their homework"](#) ^[2] and so become good little Germans. But like its less benign predecessors, this effort to impose German hegemony is guaranteed to fail. Europe's leaders must therefore start considering a previously unmentionable question, perhaps as soon as next week's summit, if the euro crisis intensifies. This question is not whether Europe will agree to live under German leadership, but whether Germany will agree to live under EU leadership – or whether the other nations must form a united front against Germany to prevent the destruction of Europe, as they have repeatedly in the past.

To be specific, the euro's only chance of survival now depends on a decisive move toward political and fiscal union. Angela Merkel plays lip service to such political union, even claiming that democratic accountability is her main condition for financial rescues; but what she means is accountability to German voters, German newspapers and German constitutional judges. She promises to ["do whatever it takes to save the euro"](#) ^[3] but vetoes anything that might actually work, claiming deference to German public opinion or national interests.

Europe must now call this bluff. At next week's summit, France, Italy and Spain can turn the tables on Merkel by presenting her with an ultimatum: Led by President Hollande, who has abandoned President Sarkozy's Gaullist pretensions of parity with Germany, the big three Mediterranean countries could agree on a program that really might save the euro: a banking union, followed by jointly issued eurobonds and backed by ECB quantitative easing. If Merkel

tried to block these policies, the others could politely invite her to leave the euro, since Germany's political pressures evidently made membership impossible on terms its partners could accept – essentially the proposition Merkel put last month to Greece. Without Germany, the euro zone would have much smaller internal imbalances and much more political coherence, with a much weaker currency and higher inflation, both of which would make debts easier to resolve.

Merkel would probably insist on Germany's legal right to remain within the euro, ironically echoing the Greek position. At this point the other nations could play their trump card: To reduce interest rates and make their economies more competitive by weakening the euro, the debtor nations could vote for unlimited bond purchases by the ECB. The Germans on the ECB council would doubtless oppose this, but even with support from Finland, Slovakia, and perhaps Austria and Holland, Germany could command no more than 7 votes out of 23. Germany would then face the very same existential choice about its relations with Europe that Merkel has inflicted on Greece and other debtor nations.

Germans will almost certainly support the political concessions that might give the euro a chance of survival, including fiscal transfers and some mutualization of debts, once they realize that their only alternative is isolation from the rest of Europe. But before they agree to a European Germany, voters may need to be reminded that trying to create a German Europe always leads to disaster.

PHOTO: German Chancellor Angela Merkel (R) and British Prime Minister David Cameron arrive for a statement to the media before bilateral talks in Berlin, June 7, 2012. REUTERS/Tobias Schwarz

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