

Caution: Illusions!

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Few things are as dangerous in politics as illusions sustained by irresponsible promises. As the German election of 2017 was approaching, Merkel needed peace and quiet at the European front, and this is what she got from her fellow leaders. Demands for Eurozone reform, meaning economic redistribution from winners to losers, fell conspicuously silent. The new French president in particular seems to have received signals that once Merkel was reelected, major German concessions would be forthcoming: the banking union, a European Monetary Fund and a finance minister, a budget for “investment”, and a parliament for the Eurozone. To forge the iron as long as it was hot, Macron scheduled a public speech, with all the pomp of the French presidency, for the day immediately after the German election in which he made public his “vision” of the new Europe that he would now make real, together with his friend Angela.

Then Merkel lost badly, and so did her coalition partner, the SPD. With AfD and FDP in the Bundestag, and Merkel’s party in disarray, a German Eurozone bail-out became more unlikely than ever. Nobody said so, however, many hoping for some Merkel magic to turn the tide. What helped keep the illusions alive were the Social Democrats, who in a 180 degrees turnaround decided once again to serve as Merkel’s junior partner in a Grand Coalition (which was no longer grand as its share in the vote had melted down to just 53 percent). When their inept leader, Martin Schulz, aspiring to be Foreign Minister under Merkel until he was disposed of by his party, called publicly for a United States of Europe, the European press, especially in the Mediterranean, waxed enthusiastic: finally a German government that would do its European duty.

The end of the story is now well-known. After Schulz came Scholz, who demanded for himself, and received, the Ministry of Finance, succeeding Schäuble. Again jubilation everywhere: a Social Democrat at Finance, this meant the end of “austerity”. A short background check would have revealed that Scholz had been Schröder’s floor manager for the Hartz IV welfare reform and later became a forceful proponent of Germany’s balanced budget constitutional amendment. So on his first day in office, he reappointed Schäuble’s secretary of state for budget affairs and hired the chief of Goldman Sachs Germany as secretary of state for international monetary policy. On his second day, then, he let it be known in a newspaper interview that “A German Finance Minister is a German Finance Minister”. He also indicated that banking union was a long time off because first the bad loans held by Italian and other banks had to be taken care of; that the German parliament had to have the last word on German tax money; that a Eurozone Finance Minister would be fine provided he made sure that member states stuck to debt limits; etc. etc.

Don’t think that Angela Merkel will do anything to change this. All she believes in is power. If nobody else, her party, not to mention her sister party, the CSU, would stop her. And there is no reason to expect the Social-Democratic Party to intercede, either. That party must urgently reconnect with its lost voters, many of whom have left for the AfD. So things will continue as before: lots of high-minded rhetoric, otherwise stalemate, and “Europe” continuing to go down the drain. The mood will get even worse, among voters and between governments and peoples. Germans will feel mobbed, and will mob back. Macron’s hopes that he will be reelected as reward for concessions gained from Germany can be buried. Perhaps Italy will light the fuse by introducing a New Lira as a second currency, or by leaving the Eurozone altogether. So dangerous can it be to buy peace by spreading illusions.