

Why Angela Merkel has lasted so long

Her chancellorship has been built on Germany's eurozone strength – and the wreckage of social democracy.

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30th July 2021

Now that Angela Merkel's tenure as Chancellor of the Federal Republic of Germany is coming to an end, it may be in order to ask how she could hold this office for no less than 16 years. During this period, she came close to transforming a parliamentary into a presidential democracy, not to mention turning herself into something like the unofficial president of the European Union.

In this short essay, I will only briefly touch on the personal and political conjunctures that underlay her rise to power in the 1990s and early 2000s. Instead I will focus on some of the structural conditions that enabled Merkel to hold on to the chancellorship, after seven years of a Red-Green interlude under Gerhard Schröder and Joschka Fischer, successors to the Chancellor of Unity (Kanzler der Einheit), Helmut Kohl – Merkel's erstwhile patron, whose long time in power Merkel will match and, if the formation of a new government is delayed, as is expected, surpass this year, to become the longest-serving Chancellor since Bismarck.

Angela Merkel grew up in the Communist half of postwar Germany, the German Democratic Republic, which faltered when she was 35 years old. As a political person, she is a product of 1989-90, when Soviet Communism fell to pieces; and of the 1990s, when national economies were denationalised under George Bush's New World Order of global markets, and governed by a global state in waiting, the United States, still of America, but sooner or later of the whole world.

The signal moment of the new era was, or was to be, the Gulf War of 1991, undertaken by the US with a mandate from the United Nations Security Council, then firmly controlled by 'the West'. So impressed was Angela Merkel by this that in 2002, as opposition leader in the German Bundestag, she pressured the Schröder government, in alliance with Bush Jr, to join the American invasion of Iraq. Indeed, if there is anything at all like a constant in Angela Merkel's politics, it is her deep admiration of the US and her determination for Germany and Europe to be part of a Western world led out of Washington, DC.

CDU politics in the 1990s, like centre-right conservative politics in the West generally, was the product of a historical compromise between conservatism – patriarchal 'family values' combined with the social paternalism of Catholic social doctrine – and modernist capitalism pursuing social rationalisation through a 'creative destruction' of traditional lifeways, a permanent revolution not just of the economy but also of life in general. The two had by and large been compatible well into the 1980s, provided that politics played its cards right – as Kohl did for a long time, styling himself as the godfather of a 'German model' of Rhineland capitalism – a more 'caring', corporatist version of capitalism – and as an antagonist of Thatcher and Reagan.

In the 1990s, however, under the pressures of intensified globalisation, indeed hyperglobalisation, the classic postwar formula of centre-right politics began to run out as international competition demanded a deep ‘restructuring’ of national economies, social policy, labour-market regimes, education systems, and, not least, family life. In Germany, the growing tensions between traditional ways of life, and the politics protecting them, and the new wave of capitalist progress came to the fore in the endless so-called *Standortdebatte* of the 1990s, with talk show after talk show debating whether Germany could remain a prosperous country if it failed to become more competitive and entrepreneurial, more international, less socialist, and more economically and socially liberal.

It is against this background that Kohl’s demise must be seen. After unification in 1990, he had tried to keep the old world alive – continuing to seek deals between capital and labour, and build bridges between the animal spirits of business and the distributional instincts of union leaders. In 1995 Kohl once again tried to assemble an alliance with unions and employers, a tripartite *Bündnis für Arbeit*, to fight unemployment, especially in the former GDR. But this was thwarted by Wolfgang Schäuble, the rising leader of a neoliberal reform wing of the CDU, conspiring with the liberal Free Democratic Party, Kohl’s coalition partner.

Shortly before the federal election of 1998, Kohl managed to prevent Schäuble from taking over as president of the CDU and becoming the party’s candidate for the chancellorship, by unilaterally announcing that he would run again. But then he lost to Schröder, with the SPD winning 40.9 per cent of the vote while the CDU was stuck at 35.1 per cent. Schröder, it appeared, was considered more ‘modern’ than Kohl, with his old-style backroom politics, by an electorate that seemed willing to try something new in order to preserve the old – modernisation for the sake of conservation.



Angela Merkel and Helmut Kohl attend the ZDF television summer party, 29 June 2005.

Seven years later Merkel took over from Schröder, who had to cut short his second term when he had lost the support, if not of the voters, then of his party. That Merkel, then widely seen as a placeholder for some old-guard CDU heavyweight, would be able to head four successive federal governments was due to a number of favourable conditions created before her time that she had the good luck to inherit. In subsequent years, Merkel turned out to be very good at exploiting them in order to stay in power.

Three such conditions, I would argue, stand out: Kohl's European Monetary Union (EMU), which had been established in the 1990s; Schröder's social and labour-market policy reforms under his Agenda 2010; and the German system of industrial relations, the so-called *Sozialpartnerschaft*. The latter, in its modern version, originated in West Germany in the first two decades after 1945 and Merkel soon learned to appreciate it as a political asset, even and perhaps especially in the neoliberal world of the 2000s.

The EMU and Agenda 2010 came to Merkel at no cost. Schröder and later the SPD as a whole paid for the latter, and the Mediterranean member states of the EMU had to foot the bill for the former – as the hard German currency proved a good deal too hard for them. For Merkel, however, the two were an unqualified blessing. The Agenda 2010 reforms, implemented before her time, spared her the need to confront the unions, and the EMU turned into a wellspring of apparently everlasting prosperity for the ever-more export-dependent German economy. In fact, the SPD, confused as it was after the Schröder experience, agreed in the 2005-09 legislative period to a steep if gradual increase in the pension age, thereby further helping contain government spending, in return for minor amendments to the Agenda 2010 legislation.

Moreover, because it was in control of the Department of Labour, the SPD had to take responsibility for the growth, continuing until today, of a sizable sector of precarious and low-wage employment, without a capacity for an effective public policy for upskilling workers and upgrading jobs for higher productivity.

Most important of all, however, was the favourable exchange rate of the euro, with a balanced external account of the eurozone hiding and neutralising a huge and growing German trade surplus. In subsequent years, the EMU became a veritable bonanza for Germany and its manufacturing industries. The rising tax receipts that came with high profits and increasing employment enabled the government to limit public deficits and, over time, even bring down public debt, providing other member countries with an example of 'good', euro-compatible economic behaviour.

At the 2009 federal election, after four years of coalition government under Merkel and having weathered together with her the financial crisis of 2008, the SPD's vote share declined from 34.2 per cent to 23.0 per cent, a loss of 11.2 percentage points – while Merkel's CDU lost just 1.4 per cent, down to 33.8 per cent. This made it possible for Merkel to drop the SPD and switch to the FDP, which had won a sensational 14.6 per cent of the vote – mostly by promising vast tax cuts. With Schäuble as finance minister, Merkel, with French president Nicolas Sarkozy by her side, presided over the rescue of the euro and was amply rewarded by German voters, who seemed to have grasped that Germany's fundamental national interest was best pursued as a 'European project' defined as a hard currency union.

Four years later, in the federal election of 2013, the CDU/CSU scored 41.5 per cent (an increase over 2009 of 7.7 percentage points), while the FDP, stonewalled by Merkel and Schäuble, paid for its *mésalliance* with its parliamentary existence, ending up below the five per cent threshold. So Merkel took up again with the SPD, which had slightly improved to 25.7 per cent.

Two years later, preparing for another change of coalition, this time to the Greens, Merkel opened the German borders to about one million Syrian and other asylum seekers, not least as a favour to the United States. For this she was severely punished at the polls in 2017, when her vote share fell by 8.6 percentage points to 32.9 per cent. The SPD's shrunk even more,

however, to a meagre 20.5 per cent – an electoral disaster from which it never recovered – while a new right-wing party, the Alternative for Germany, won 10.7 per cent. After much to and fro this gave rise to another Grand Coalition with the SPD – Merkel IV – when the reborn FDP refused at the last minute to join a coalition with the CDU/CSU and the Greens, fearing that it would once again be squeezed to the wall by Merkel, this time assisted by her new Green friends.

That Merkel was always able to return to a coalition with the Social Democrats, if not without trying for alternatives, points to what may be regarded as her greatest political achievement: the formation of a dominant social bloc including both the centre-right and the centre-left, business and unions, capital and labour – a social bloc of which the shrinking SPD felt it had to be part, as its last reason to exist.

Making this bloc possible was the third political legacy that Merkel was fortunate enough to inherit: the institutions and traditions of ‘social partnership’ left over from the sunken political economy of West Germany. It did not take long for Angela Merkel to understand the immense political value of this inheritance, making her embark on a course that the remaining conservatives in her party soon condemned as the ‘social-democratisation of the CDU’ – while in fact it amounted to a successful attempt to take possession of the wreckage of the disintegrating SPD.



Angela Merkel and Franz Muentefering, of the SPD, at the Reichstag, 22 November 2005.

Not that this was always her intention. In her election programme of 2005, Merkel had promised to mount a fully fledged attack on trade unions, collective bargaining and workforce representation on company boards. In the spirit of the 1990s *Standortdebatte*, Merkel styled herself as a German Thatcher, who would finally do what Kohl in his time had not dared to do. In the last weeks of the campaign, however, Schröder rapidly caught up in the polls, painting Merkel as a neoliberal ideologue. On election day, Merkel’s CDU/CSU ended up with just 35.2 per cent, only marginally ahead of the SPD with 34.2 per cent. This was less than both Kohl in 1998 (38.1 per cent) and Edmund Stoiber in 2002 (38.5 per cent).

Having won a deeply divided SPD over for a Grand Coalition in 2005, with her as chancellor, Merkel performed an about turn to become a fan of German social partnership. Not only had she understood that neoliberal anti-unionism didn’t fly with the German electorate. She also

seems to have realised that times had changed, and after almost three decades, Thatcherism was out of date, at least for Germany. The dirty work had already been done, first with the Maastricht Treaty with its strict fiscal constraints, in particular binding limits to deficit spending; international obligations to privatise public services; and free movement not just of goods but also of services, capital and labour etc. And, second, with the recasting of the German welfare state under Schröder, which had been sold as an employment programme but was essentially a fiscal manoeuvre to enable Germany to stay within the limits of the Maastricht Treaty.

Others leading her party might not have understood this, being too ideologically tied to the utopian vision of the time of a union-free, liberal market society. But Merkel, then as today, had no ideological prejudices whatsoever – no need, no taste, no instinct for ideology, and no sense of what it might be, or might once have been, good for. What she saw more clearly than others was that international competition and the opportunities offered by an undervalued hard currency had done the very job for her that institutional destruction had to do for Thatcher – and that the German legacy of social partnership had, under the pressures of ‘globalisation’, been transformed in the 1990s from conflict within partnership to partnership without conflict: to cooperation in defence of German export industries through wage moderation underpinned by technological superiority.

Rather than going into detail, I will illustrate with a personal reminiscence how Angela Merkel used and cultivated social partnership as a political resource. In early 2010, Berthold Huber, then president of IG Metall, the powerful trade union that organises the core manufacturing sectors of the German economy, turned 60. Merkel hosted a formal dinner for him in the cabinet room of the Chancellery, something she very rarely does. Huber was allowed to bring several friends to the occasion, and since I had sometimes done him and the union a favour, I was one of those invited. There were about 30 people there: the chancellor and a small number of close aides; a few but not very many trade unionists; some of the top brass of corporations like Volkswagen, Mercedes, Porsche, and Bosch; and officials of the business and employers’ associations of the metal industry. Gifts were exchanged, and Huber made a speech recalling the destruction of the union movement by the Nazis, the unions’ contribution to the rebuilding of democracy after 1945, and the need for a liberal democracy to have a strong and independent trade-union movement. As he was speaking it seemed that this was something he and Merkel had talked about previously, with Merkel nodding in agreement several times.

Later, during her dinner speech, Merkel dwelled at length on the benefits of free collective bargaining, German-style. In this context, she mentioned a telephone call she had received a few days ago from Christine Lagarde, then the French finance minister. In the conversation, which had been subject of extensive speculation in the press, Lagarde had urged Merkel to ensure that in the next round of wage settlements, purchasing power in Germany would rise faster than in the past to make for higher imports – and to please forget for once the German obsession with inflation. Merkel quoted this, waited a few seconds, and then said she had told Lagarde how happy she was that, unlike the French government, the German government had no role to play in setting wages. In Germany, Merkel continued, this was for the ‘social partners’ alone, and she added that she had no intention of changing this. Cue roaring applause around the table, from all sides.

As the evening went on, one of the guests from the automobile industry brought up the mooted change from combustion engines to electric – 10 years ago! He said this would be difficult to accomplish without domestic battery production, sufficient loading stations, an

increased and safe supply of electricity, cash premiums for buyers of electrical cars, and so on. Merkel responded that this might be a case for 'industrial policy', a concept that was and still is anathema to the free-market faction of her party and to mainstream economists. Again, this drew heartfelt applause from everyone present. Sitting next to a ranking civil servant from the chancellor's office, I looked at him and whispered something like 'Really?' – only to be reassured that there were no preparations to this effect under way and that the economics ministry had had no role in the writing of the dinner speech whatsoever.

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