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The New German Question

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Timothy Garton Ash

There is a new German question. It is this: Can Europe's most powerful country lead the way in building both a sustainable, internationally competitive eurozone and a strong, internationally credible European Union? Germany's difficulties in responding convincingly to this challenge are partly the result of earlier German questions and the solutions found to them. Yesterday's answers have sown the seeds of today's question.

Before I explore those historical connections, however, let us reflect on everything that this new German question is not. Twenty-three years after unification, the enlarged Federal Republic of Germany is about as solid a bourgeois liberal democracy as you can find on earth. It has not only absorbed the huge costs of unification but also, since 2003, made impressive economic reforms, lowering labor costs by consensus and hence restoring its global competitiveness.

This land is civilized, free, prosperous, law-abiding, moderate, and cautious. Its many virtues might be summarized as "the banality of the good." Asked by the tabloid *BILD-Zeitung* what feelings Germany awakes in her, Angela Merkel once famously replied, "I think of well-sealed windows! No other country can make such well-sealed and nice windows [*dichte und schöne Fenster*]." ¹ Yet the place is not altogether so banal. Opening the well-sealed windows of my hotel room in Berlin, I look across Unter den Linden to the illuminated, translucent dome of the Reichstag building, at the heart of what is now, after London, Europe's most exciting city. ²

An Israeli friend who has taken German citizenship describes Germany to me as a "balanced" country, and that feels just right. The French leftist politician Jean-Luc Mélenchon caused a stir when he said that "amongst those who have a zest for life, no one wants to be a German." ³ In that case, there must be an awful lot of people who have no zest for life, because according to a twenty-five-nation BBC poll, Germany is the most popular country in the world—ten points ahead of France. ⁴

It also has weaknesses and problems. Who doesn't? Germany has a rapidly aging



Angela Merkel; drawing by James Ferguson

population. On a gloomy, no-change extrapolation, it could be down to a ratio of just over one working person to each pensioner by 2030. Without any immigration, its population might fall from over 80 million today to under 60 million in 2050. Immigration therefore has to be a large part of the answer to its demographic challenge, but Germany lags behind France and Britain, let alone Canada and the United States, in emitting those vital, elusive social and cultural signals that enable people of migrant origin to identify with their new homeland.⁵

Having made an irrational, short-sighted political decision to abandon its own nuclear power program, following the Fukushima disaster in Japan, and relying heavily on coal and gas, Germany's *industrial* energy costs are some 40 percent above those in France. Its economy is brilliant at making things that people in countries like China want to buy—cars, machine tools, chemicals—but weaker in services. German companies are outstanding at incremental technological improvements but less good at what is called “disruptive innovation,” of the kind you find in Silicon Valley. The country that invented the modern research university in the nineteenth century has many very good universities, but no world-class one to compete with Oxford or Stanford. Berlin boasts a delightful Café Einstein, but since the 1930s the Einsteins of this world have tended to work elsewhere.

If these weaknesses were eventually to result in economic decline, a domestic German question could again arise. For Germany's well-balanced liberal stability and national identity are deeply bound up with its economic prowess. One cannot entirely exclude the possibility that, in such an event, we could again see a revival of cultural pessimism, political extremism, and what the tennis champion Boris Becker once conversationally identified as his compatriots' “tendency to flip their top.” But there is far more hysterical top-flipping in the United States than in Germany at the moment—and sufficient unto the day are the German questions thereof.

In the global competition for business, German companies are as tough and well-organized as German regiments used to be in war, and they are skillfully, systematically supported by their government. Geopolitically, however, this Germany manifests absolutely no neo-Wilhelmine ambitions to dominate its neighbors, or anyone else. The only “place in the sun” its citizens seek is on the holiday beaches of the Mediterranean. The only warlike victories it celebrates are on the battlefield of soccer, a game at which it is so good that it sometimes ends up playing itself. This year's European Champions League final, in London, was between two German teams, Bayern München and Borussia Dortmund.

At the time of German unification, there were fears that Germany would come to dominate a new *Mittleuropa*. Economically, Germany does now have a preeminent position in East Central Europe. German manufacturers such as Volkswagen have transferred important parts of their production to take advantage of East Central Europe's lower-wage, high-skilled workforce, while still being inside the EU. If you

treat the four Visegrad countries—Poland, Hungary, the Czech Republic, and Slovakia—as one unit, they are Germany’s biggest single trading partner. But this new Mitteleuropa has been achieved by consent, and is seen by most Slavs, Magyars, and Germans as being largely to mutual advantage. German-Polish relations are the best they have been for a thousand years, and Poland is now Germany’s best friend in the EU. In 2011, that country’s foreign minister, Radek Sikorski, memorably declared, “I will probably be the first Polish foreign minister in history to say so, but here it is: I fear German power less than I am beginning to fear German inactivity.”

To understand why Germany is so reluctant to lead, you have to realize that the European monetary union forged during and after German unification was not a German project to dominate Europe but a European project to constrain Germany. To the German question of 1989—what should we do about a rapidly uniting Germany?—the answer given by François Mitterrand of France and Giulio Andreotti of Italy was: bind it even more tightly into Europe, through a monetary union. Yes, plans for a single currency to complement the single market were already to hand, Chancellor Helmut Kohl was for it in principle, and there were economic arguments for introducing it. But the timetable then hastily agreed for the monetary union we have today, and some of its fundamental design flaws, resulted from the politics around German unification.

We saw this at the time, but the story can now be followed in fascinating detail in the published German, British, French, and American documents. To give just one example, according to the German record of a December 1989 conversation, Kohl explained to US Secretary of State James Baker his attempts to allay European fears about German unification thus:

He [Kohl] asked himself what more he could do than to contribute to the creation of European monetary and economic union. He had taken this decision [to commit to the monetary union] against German interests. For example, the president of the Bundesbank was against the current development. But the step was politically important, for Germany needed friends. No distrust should be allowed to arise in Europe against us. ⁶

Kohl cogently argued that a monetary union would need a fiscal and therefore also a political union to accompany it; but Mitterrand and Andreotti were having none of this. The idea was that they should get a handle on Germany’s currency, not that Germany should get a handle on their national budgets. And so some of the fundamental defects that the eurozone is struggling to correct today—monetary union without mutual oversight of budgets, debts, and banks—emerged from the turgid politics of its inception. As the historian Heinrich August Winkler observes: “To solve the German question with the consent of Europe, the European question had to remain open.”

The Germans were never asked in a referendum if they wanted to give up the deutsche mark, which was to postwar West German identity what the queen is to British identity.

If the Germans had been asked, they would probably have said no; but the mighty Kohl pushed it through. In the first decade of the euro's existence, they got used to it, but they never learned to love it. Hardly anyone pointed out to them that Germany was the biggest beneficiary of the single currency, since it created excellent conditions for the country's exports, both into and beyond Europe. According to one estimate, Germany's cumulative trade surplus with the rest of the EU, from the introduction of the euro in 1999 to 2011, was more than \$1 trillion.⁷

Then came the reckoning. In the electric storm of the financial crisis that broke in 2008, intensified by the hysteria of the bond markets, all the flaws of this half-baked currency union were brutally revealed. That open European question now had to be addressed. Because it was a question of economics, or more accurately of political economy, all eyes turned to what was now—thanks to its own long-standing economic prowess and post-2003 reforms, but also thanks to the euro—Europe's undisputed leading economic power.

Germany had not sought this leadership role in Europe. After 1990, most Germans would have been quite happy to master the challenges of national unification and otherwise go on being rich and free, in a kind of Greater Switzerland, with high-quality exports and plenty of sunny holidays on the Mediterranean. Instead, the monetary union intended by Mitterrand to keep France in the driver's seat of Europe, and Germany in the passenger seat, ended up doing the precise opposite. It put Germany in the driver's seat as never before. Suddenly the Germans found themselves paying to bail out others, and their government telling countries now lumped together as "South European" exactly what to do in return: cut your budgets, make structural reforms, become more like Germany.

Germany thus slid unwittingly into the part that Bismarck, in a great speech to the Reichstag in 1878, had warned his country not to take: *der Schulmeister in Europa*, Europe's schoolmaster.⁸ Or rather, since the occupant of Bismarck's chair was now a lady, the schoolmistress of Europe. Berlin's reward? Cypriot street protesters holding up placards saying "Hitler Merkel" and Greeks accusing Germans of behaving like Gauleiters. In a Harris poll conducted in June this year, 88 percent of respondents in Spain, 82 percent in Italy, and 56 percent in France said Germany's influence in the EU is too strong. As Merkel herself once wryly remarked to me: we're damned if we don't lead and damned if we do.

The chancellor's pragmatic, low-key, step-by-step approach partly reflects her personal style. But one reason her popularity has held up so well in Germany throughout these years of crisis is that her manifest reluctance to do more than the seemingly unavoidable at every stage of the eurozone crisis has both mirrored and defined the reluctance of a nation. The one really bold, decisive action in the eurozone crisis so far was taken not by Germany but by the Italian president of the European Central Bank, Mario Draghi, when he said in July 2012 that the bank would do "whatever it takes" to preserve the

euro. As a result, the eurozone has survived but is not yet prospering—especially not in the debtor countries of the south. In Spain, for example, youth unemployment exceeds 50 percent.



Thomas Hoepker/Magnum Photos

Willy Brandt on the night he was reelected chancellor of West Germany, 1972

Now, however, we are approaching a moment of truth in the whole European Union. Across the continent, north and south, there has been a dramatic decline in trust in that Union, and the emergence of protest parties. Between the German parliamentary elections on September 22, 2013, and the elections to the European Parliament that begin on May 22, 2014, there will be just eight months to convince these growing legions of skeptical Europeans that Europe's leaders, established parties, and institutions know a way out of the darkness. Otherwise, we shall get a European Parliament that is both wild and blocked. The anger in some southern European countries could also boil over at any point, unless their peoples see light at the end of what many regard as a German-imposed tunnel.

The German foreign minister, Guido Westerwelle, rightly observes that this is a formative period in three respects: for Europe's credibility with its own citizens, for Europe's standing in the world, and for the way Europe and the world view Germany.² By sheer chance, this historical crux coincides with the hundredth anniversary of the outbreak of World War I in 1914.

Soon after Germany's peaceful unification in 1989–1990, Fritz Stern unforgettably described it as Germany's "second chance." Europe's economically dynamic central power had had its first chance in the years before 1914. "It could have been Germany's century," as Raymond Aron once remarked to Stern. It blew that chance in two world wars and the Holocaust. Now it had another.

Nearly a quarter-century later we can confidently assert that, in its domestic affairs,

Germany has used its second chance well. This is a “European Germany” of which Thomas Mann could be proud.¹⁰ Externally, however, in shaping a new European order and addressing the European question left open at the time of unification, the real test of how Germany uses its second chance is upon it only now.

Although the term “hegemon” is widely used, Germany’s position in Europe today is that of a leading rather than a dominant power. This is not the outright hegemonic predominance of Napoleonic France in continental Europe, or the United States in the Western world after 1945. The Berlin republic has just 16 percent of the EU’s population and 20 percent of its GDP. This awkward, in-between size is, alongside the country’s central geographic location, a recurrent feature of modern German questions. “Too big for Europe, too small for the world,” Henry Kissinger famously quipped. Yet the issue today is whether Germany is even big enough for Europe—not just objectively but also subjectively, in its spirit and strategic imagination.

Unlike the United States, Europe’s central state is preeminent only in one of the three main dimensions of power. Militarily, it does not compare for impact with Britain and France. Having roused itself to participate in the Kosovo intervention, to prevent another Serbian genocide there (still, in my view, one of the finest hours of post-unification Germany), and again to join its Western allies in Afghanistan, it has sunk back into a rather complacent pacifism.¹¹ A senior government minister talks to me almost dismissively about his country’s “decent” army, before arguing that the real battles of the twenty-first century will be geo-economic.

And soft power? Yes, as that twenty-five-nation BBC poll suggests, the Federal Republic has considerable power to attract—Joseph Nye’s classic definition of soft power. Yet this still does not compare with the cultural pulling power of the land of Harry Potter, David Beckham, the Royal Shakespeare Company, the BBC, English-language universities with students from all over the world, the royal family, the London Olympics, and Mr. Bean.

But economic power—here it’s Germany, Germany above all. And political power, too. Thus, in the corridors and councils of Brussels, everyone waits to see which way Berlin will go. All Europeans used to have one subject in common: America. Now they have two: Germany and America. As we look for German answers to the European question, there are three crucial areas to watch: economic policy; European institutions to oversee and legitimate that policy; and, last but not least, the poetry to accompany this economic and institutional prose, inspiring Europeans once again to believe in the dream we call Europe.

Talking to German politicians and officials, I’m struck by the place their own answers start. That place is not Germany, or Greece, or Italy; it is China. In 2012, 46 percent of the EU’s exports to China came from Germany. Britain has globalized its financial services, but no European manufacturing sector is more international than Germany’s.

What my German interlocutors want for the other eurozone countries is that they should become strong, competitive, export-led economies like Germany. Then, and only then, would we have what they call *die Selbstbehauptung Europas*, a Europe able to stand up for itself in a rapidly changing world. Hence their iron, schoolmasterly insistence on a combination of fiscal consolidation and structural reform in the weaker economies of the eurozone.

Their greatest worry is France, especially under its Socialist president François Hollande. France is both the most important country to Germany in the history of European integration, since the 1950s, and one dramatically failing to reform. How can they keep up the “reform pressure” on France, they fret, when it is effectively sheltered by Germany’s creditworthiness? (France’s government bond yields are much closer to Germany’s than those of Spain or Italy because the markets correctly judge that France is the last Mediterranean country Germany would ever let go.)

You see, says one senior German politician, I let my daughter use my credit card, but I check the transactions record. I tease out the point: “And if the French girl is blowing it all on beautiful couture dresses...?” “Exactly!” he snorts. German officials say privately, “We have to pretend to treat France as an equal.” Their last, best hope for economic reform in France is that French national pride will not abide that country’s own relative decline and Germany’s palpable condescension.

The trouble with the German prescription for the eurozone is that it is—according to taste—either just not working or not working fast enough. One simple, theoretical point seems to me worth stressing. Germany, the export champion, has been described as Europe’s China. Just as not everyone in the world can be China, and if everyone were like China, China could not be China—for who would then buy its exports?—so not everyone in the eurozone can be Germany, and in the unlikely event that they did become like Germany, Germany could no longer be Germany. Unless, that is, you assume that the rest of the world would cheerfully expand its domestic demand to buy an all-German eurozone’s increased supply of exports.

In the end, the only thing that matters is what works. The challenge to Germany, after its election, is to find the policy mix that brings the eurozone what everyone wants—investment, growth, jobs, and hence also the reduced unemployment benefit bills and increased tax revenues that will alone durably reduce public debt. The outcome will of course depend on world economic trends that, in places such as China, are hardly favorable.

The rhetoric of German policy remains sternly dogmatic, with German economics often sounding like a branch of moral philosophy, if not Protestant theology. Merkel, the daughter of an East German Protestant priest, once incautiously suggested that the southern European debtor countries must “atone for past sins.” The reality of Berlin’s policy, however, has been more pragmatic. For example, earlier this year it authorized

state-controlled German banks to help create jobs for the unemployed youth of southern Europe. The chances of seeing more such constructive pragmatism, including wage increases that could stimulate German domestic demand, would certainly increase if the Social Democrats were to enter government, perhaps in a “grand coalition” with Merkel’s Christian Democrats.

But even if the country’s leaders are prepared to do whatever turns out to be necessary, can they take the German people with them? Germans are understandably preoccupied with the danger of having to pay with their own hard-earned wages and savings for other Europeans’ self-indulgent mistakes. I lose count of the number of times people say to me, “When outsiders ask us for leadership, what they mean is money.”

They are also obsessed with the danger of inflation. One poll found that Germans fear inflation more than they fear getting cancer.¹² The shadow of history again: in this case, the trauma of two dramatic inflations, after the first and after the second world war. Yet as the economic policy correspondent of the liberal weekly *Die Zeit* argues in a spirited polemic, they misunderstand both the past—it was deflation, not inflation, that immediately preceded Hitler’s rise to power—and the present reality of that danger.¹³

Two of the country’s most influential institutions also place limits on the power of any German government to act decisively. The Bundesbank, as skeptical about the euro now as it was when Kohl confided in Baker back in 1989, has been pressing its objections before the Bundesverfassungsgericht, the powerful constitutional court. As an expert witness, Bundesbank president Jens Weidmann suggests that the way Draghi saved the euro last year, with the promise of so-called outright monetary transactions, may violate the European Central Bank’s treaty mandate. Not for the first time, all Europe waits with bated breath for the next verdict of this German court.

Here we are led back to the answer to yet another German question, that of 1945. To ensure that no Hitler would ever again come to power, the Federal Republic was designed not only to be as geographically decentralized as possible but also to have a plenitude of institutional checks and balances, including a very strong constitutional court. So the state from which decisive executive leadership is demanded today has a political system intended to make such decisive executive leadership very difficult.

If Germany does manage to do what is necessary in economic policy, together with its eurozone partners, Europe will need some new institutional architecture, most urgently for the oversight of national budgets in the eurozone, but eventually for the whole structure of the Union. Berlin today is a building site, with vast cranes and diggers tunneling a new subway line right in front of the (fortunately well sealed) windows of my hotel room and, just down Unter den Linden, the foundation stone now laid for what promises to be a wonderful reconstruction of the Prussian royal palace, which was demolished by the East German Communists after World War II. Berlin is also an intellectual building site, with alternative designs for Europe being swung around like

giant girders. A friend hands me a postcard saying, “The European Republic is under construction.” An internal Social Democratic discussion paper calls for *ein anderes Europa*—another (and better) Europe.

So will this be *Bundesrepublik Europa*, the Federal Republic of Europe? Like other European countries, Germany certainly starts by thinking of Europe through the prism of its own constitutional tradition, just as the French imagine a centralized secular republic and the Brits dream of a baggy commonwealth. Federal, in the German sense, could also mean bringing powers back down to the national and state levels—something many skeptical Europeans, and not just English Euroskeptics, would welcome. But the German debate is broader than this.

Merkel herself oscillates between envisaging a greater role for the directly elected European Parliament and a strong pragmatic preference for intergovernmental agreements, such as last year’s fiscal compact for the eurozone. With a growing emphasis in German debates on the importance of democratic national sovereignty, encouraged by judgments of the constitutional court, there are also calls for the voices of national parliaments to be heard more directly in Brussels.

So the Germans, like everyone else, are intellectually juggling three kinds of legitimacy: supranational, through a European Commission overseen by a directly elected European Parliament; intergovernmental, in the Councils of the EU, which bring together representatives of democratically elected national governments; and the involvement of national parliaments. Whatever eventually comes out of the sausage factory of Brussels negotiations, probably several years hence, will not be neat and tidy, and it will not be made only in Germany: less a *Bundesrepublik Europa*, more a Holy Republican Commonwealth.

While the wheels of economic policy and institutional negotiations grind slowly and exceedingly small, there is a crying need for poetry. Europeans are desperate to be given a sense of direction, purpose, and hope. A German federal chancellor once offered a superb example of such visionary leadership. Willy Brandt wrapped his new *Ostpolitik*, originally known as a Merkel-like “policy of small steps,” in inspirational rhetoric. The Germans, he declared, should be “a nation of good neighbors, at home and abroad.”

As Merkel’s biographer Stefan Kornelius observes, she has many strengths, but pulse-quickening oratory will never be among them. Unfortunately, this is not just true of her. The entire German political class uses a kind of sanitized Lego-language, snapping together prefabricated phrases made of hollow plastic. Most German politicians are more likely to fly unaided to the moon than they are to coin a striking phrase.

Why? Partly because there are so many ghosts in the German language. As the former foreign minister Joschka Fischer has noted, you can have a conference of young leaders, but *junge Führer*...? I find people often slip into English to use the word “leadership.” So, because of Hitler, the palette of contemporary German political rhetoric is

deliberately narrow, cautious, and boring. Then there is the fact that, for a long time now, talented people have preferred to go into business, or to study and work abroad. (I could fill a whole government with our outstanding German students at Oxford.) While German business has globalized itself spectacularly over the last quarter-century, with companies holding board meetings in English, and managers being as much at home in Shanghai and São Paulo as in Stuttgart, the political class has become even more provincial than it was before.

Again, this provincialism partly goes back to the answers given to earlier German questions. Since the country's political system was deliberately decentralized, politicians have generally worked their way up through the politics of the federal states, the *Länder*. But didn't Brandt, and Helmut Schmidt, and Helmut Kohl come up that provincial ladder too? Yes, but at least, unlike today's professional politicians, they had done something else before they became politicians. And they were shaped, given a continental and global perspective, by the experience of two wars: World War II (which Schmidt experienced as a soldier, Kohl as a teenager) and the cold war. Since the answer to the post-1945 question of Germany's division was only to be found in Moscow, Washington, Paris, and London, the leaders of the pre-unification Federal Republic simply had to be global. Hence the apparent paradox that while German power has grown, its political class has shrunk.

So, who will speak for Europe? Starting on September 23, the day after the Bundestag elections, the European conundrum must be addressed more decisively by Germany. But this Germany is neither objectively nor subjectively big enough to solve it on its own. The Berlin republic can be, at best, first among equals. Its leadership must be understated, collaborative, building on carefully cultivated relations with small as well as large states—which is, after all, the distinctive foreign policy tradition of the Federal Republic. And it knows it.

Germany therefore needs all the help it can get from its European friends and partners. Only together can we generate the policies and institutions, but also that fresh breeze of poetry, to get the European ship sailing again. The answers to this new German question will not be found by Germans alone.

1. 1

BILD-Zeitung, November 30, 2004. She had just answered an almost identical question —“What springs to mind when you think of Germany?”—so she was probably trying to deflate the journalists' search for national pathos. Responding to that first question, she talked about Germany's temperate climate, which, she said, ensures “that we don't need a siesta!” I am grateful to Stefan Kornelius for pointing me to the original, which differs slightly from the version quoted in his book, *Angela Merkel: Die Kanzlerin und ihre Welt* (Hamburg: Hoffmann und Campe, 2013), p. 29. ↵

2. 2

London still wins by a head because, unlike Berlin, it has everything in one place—politics, business, journalism, culture, think tanks, sports—and the English language to boot. ↵

3. 3

Quoted in *Der Tagesspiegel*, June 11, 2013. ↵

4. 4

"BBC poll: Germany most popular country in the world" ↵

5. 5

See my "Freedom and Diversity: A Liberal Pentagram for Living Together," *The New York Review*, November 22, 2012. ↵

6. 6

Record of a conversation in West Berlin on December 12, 1989, in *Deutsche Einheit: Sonderedition aus den Akten des Bundeskanzleramtes 1989/90*, edited by Hanns Jürgen Küsters and Daniel Hofmann (Munich: R. Oldenbourg, 1998), p. 638. ↵

7. 7

Estimate by Jorge Braga de Macedo and Urho Lempinen, quoted by Risto E.J. Penttila in "Germany Calls the Shots," *International Herald Tribune*, March 22, 2013. ↵

8. 8

Speech on February 19, 1878, reproduced in *Bismarck: Die grossen Reden*, edited by Lothar Gall (Berlin: Severin and Siedler, 1981), p. 155. This is the famous speech where he suggests that Germany should rather aspire to be an "honest broker." ↵

9. 9

See his speech at the WDR Europaforum, May 15, 2013. ↵

0. 10

Although, whisper it not, he might find it just a little boring. Where, behind those *dichte und schöne Fenster*, is Dr. Faustus? Where Lodovico Settembrini and Leo Naphta? Where Felix Krull? ↵

1. 11

Three German high schools were recently awarded the Aachen Peace Prize for refusing to let Bundeswehr officers come and speak to their pupils about possible careers in the armed forces. See *Die Zeit*, June 20, 2013. I am grateful to Mark Lilla for drawing this to my attention. ↵

2. 12

Allensbach Institut für Demoskopie, Sicherheitsreport 2012. I am grateful to Zanny Minton Beddoes for this reference, which I first came across in her *Economist* special

report on Germany, "Europe's Reluctant Hegemon," June 15, 2013. [↵](#)

3. 13

Mark Schieritz, *Die Inflationslüge* (Munich: Knauer, 2013). [↵](#)

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