The Economist

Germany and the euro

Don’t make us Führer

Germans are losing patience with being cast as the euro zone’s scapegoats

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HITLER moustaches and swastikas defiling pictures of Germany’s chancellor, Angela Merkel, have become a recurring motif in the iconography of the euro crisis, most recently in Cyprus. Scapegoating is inevitable during financial upheavals, says Marcel Fratzscher, president of DIW Berlin, a think-tank. Germany, he suggests, has taken the place of the IMF during the Asian crisis of the late 1990s, with Mrs Merkel playing the role of Michel Camdessus, the then IMF boss who was pictured in 1997 with folded arms, standing over a humbled Indonesian president signing up to harsh austerity measures. But scapegoating can be dangerous if the goat is powerful and it begins to feel victimised.

The Germans are not yet openly angry. That would be out of character in a people who have, since the second world war, been eager to atone for the past and be good European partners. In one recent poll, 34% of Germans even said they empathised with the wrath of the southern Europeans. But the mood is shifting. The southerners may see Germany as forcing excessive austerity on them and showing insufficient solidarity, but Germans have a different view.

First, they feel they have already shown solidarity. Almost a quarter of a century after the fall of the Berlin Wall they still pay a solidarity tax to eastern Germany. Some also transfer taxes to weaker German states such as Bremen. Many conclude that, once in place, solidarity ceases being voluntary and instead becomes a yoke. They also bear much of the risk of euro bail-outs, even though a study released this week by the European Central Bank showed that the average German household has less wealth than the average Spanish, Italian and Cypriot one (though this is partly because German households tend to contain fewer adults and are more likely to be in rented accommodation).

Second, they argue that Germany recognised a decade ago that it was not competitive and undertook painful reforms that are now paying off. The crisis countries should follow suit. And third, Germans think the euro crisis was largely caused by rule-breaking (even by Germany itself), which must not be repeated. As one diplomat puts it, “solidarity is important, but it should follow rules. It is not just ad hoc giving.”

Together, these attitudes often have the sound of a morality tale. Indeed, the English term “moral hazard”, which has no direct German translation, has become a staple of discourse in Berlin. Originating in the economics of insurance, it refers to the incentives to take risks when other people stand to pay for any damage. The fear is that German rescue money could cause the crisis countries to duck their reforms.

The Germans are not alone in these views. The Dutch, Finns and Slovaks broadly share them. What makes Germany different is that it is big and central. To historians such as Brendan Simms of Cambridge University, author of a new book, “Europe: the Struggle for Supremacy”, this sounds eerily familiar. Europe has long grappled with the “German question”. Sometimes Germany was too weak, sometimes too strong. Or, as Henry Kissinger, a former American secretary of state, put it, referring to Germany just after unification in 1871, it was “too big for Europe, but too small for the world”. Today, Mr Simms argues, “it sits uneasily at the heart of an EU that was conceived largely to constrain German power but which has served instead to increase it, and whose design flaws have unintentionally deprived many other Europeans of sovereignty.”

The question is whether Germany can use its power by unapologetically leading. Given Germany’s past, its political culture militates against even trying. As Joschka Fischer, a former foreign minister, jokes, “it’s nice to go to a conference of ‘young leaders’, but you don’t want a conference of ‘*junge Führer*’.” Most Germans worry that others might again come to hate or fear them. Their neighbours are less concerned. As Poland’s foreign minister, Radek Sikorski, put it in a speech in Berlin in 2011, “I fear German power less than I am beginning to fear German inactivity.”

Some German academics agree with Mr Sikorski. Christoph Schönberger of the University of Constance thinks that German leadership should not be attacked as dominance. The first preserves a system—to act as lender of last resort in the euro zone, say. The second is overbearing assertion of power. He asks that “the German elites and public forbear national introversion” because there is no alternative to German leadership. Only a complete political union in Europe (as in such federal countries as Switzerland or the United States) would obviate the need for one member to be a hegemon, he thinks; but that is in the realm of “science fiction”.

This is the underlying debate in Germany as it enters into the long campaign before its federal election in September. A new poll suggests that 69% of Germans want to keep the euro, which is an increase over earlier polls. But those who want to go back to the D-mark now have a political party, the Alternative for Germany, which holds its first gathering this weekend in Berlin.

“The biggest risk for the euro right now is not that Greece leaves, it’s that Germany leaves,” claims Michael Burda, an economics professor at Humboldt University in Berlin. He points to recent repatriations of German gold from France and America as a subtle signal to the south that this is not impossible. If Mr Simms is right, “Germany is damned if it does and damned if it doesn’t” lead. The euro, by contrast, is damned only if Germany doesn’t.

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