

AMERICAN *Affairs*

Summer 2018

Volume II, Number 2

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Europe under Merkel IV: Balance of Impotence

by Wolfgang Streeck

Europe, as organized—or disorganized—in the European Union (EU), is a strange political beast. It consists, first, of the domestic politics of its member states that have, over time, become deeply intertwined. Second, member states, which are still sovereign nation-states, pursue nationally defined interests through national foreign policies within intra-European international relations. Here, third, they have a choice between relying on a variety of supranational institutions or on intergovernmental agreements among selective coalitions of the willing. Fourth, since the start of the European Monetary Union (EMU), which includes only nineteen of the EU's twenty-eight member states, another arena of European international relations has emerged, consisting mainly of informal, intergovernmental institutions looked at with suspicion by the supranational EU. Fifth, all these are embedded in the geopolitical conditions and geostrategic interests of each nation, which are related in particular to the United States on the one hand and to Russia, Eastern Europe, the Balkans, the Eastern Mediterranean, and the Middle East on the other. And sixth, there is at the bottom of the European state system an ongoing battle for hegemony between its two largest member countries, France and Germany—a battle that both deny exists. Each of the two, in its own way, considers its claim to European supremacy to be only just and indeed self-evident, Germany so much so that it doesn't even recognize its ambitions as such.¹ Moreover, both would-be hegemonies are aware that they can realize their national projects only by incorporating the other within

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them, and for this reason they present their national aspirations as “European integration” projects based on a special relationship between Germany and France.

Yet since the financial crisis of 2008, at least, this arrangement has been in disarray, and increasingly so. National political systems are transforming under the impact of international market integration and the “populist” backlash against it. Economic disparities between member countries are increasing, with one country in particular, Germany, reaping the bulk of the benefits of the common currency—a condition impossible to correct under the EMU as constituted by the Maastricht Treaty. National interests with respect to the Union’s economic institutions differ widely among the distinctive varieties of capitalism assembled thereunder. While the ensuing conflicts have for some time been papered over by successive “rescue operations” and emergency measures, now the hour of truth seems to have arrived. The United Kingdom is about to leave, changing the balance of power among member countries. Pressures are growing for “reform,” but member states and supranational institutions seem to be deadlocked. The old “Community method” of putting off critical decisions appears to have reached its limits; meanwhile, risks are piling up.

This essay undertakes to sort out some of the complexities that underlie the European stalemate. It argues that the politics of Europe are suspended between national realities and a postnational ideology. Europe suffers from a collective denial of the gap between the two, in the name of a “European idea.” And, as it forces ever more “integration” onto diverse national societies, the gap between ideology and reality widens still further. The Europe of the European idea is a future without a past, attractively innocent to a continent heavy with memories of war and genocide. It is, however, also a future without a present: in order to be acceptable to its diverse constituents, it can only be vaguely defined so that everyone can read into it what they please. Tensions between national diversity and supranational unity thus cannot be effectively addressed, since this would reveal both the emptiness of the ideology and the conflicts hidden underneath it. Emerging crises must be dealt with through day-to-day improvisation, leaving behind an opaque and confusing assortment of poorly articulated institutions.

Meanwhile, Europe is divided by competing national interests, invested with divergent national content, and transformed into a vehicle of conflicting national ambitions, none of which can be admitted. Political operators have become highly skilled at substituting sentimental symbolism for sober public argument. The resulting European political system, while increasingly superseding national democracy, has become inscrutable to national citizens—an outcome that is hardly accidental. This essay makes an attempt to unravel the many convolutions of European politics and to trace how the critical interplay between the national and the supranational is evolving in Europe. It concludes that the time has come when European business as usual will no longer suffice.

GERMANY: THE CENTER COLLAPSING

Germany under Angela Merkel used to consider itself a shining example of political stability. But the same forces of fragmentation and division between and within political camps, which have beset other capitalist democracies, were present in Germany as well, operating below the surface and appearing in various guises. In the election of September 24, 2017, the two centrist parties, CDU/CSU and SPD (Christian Democratic Union/Christian Social Union and the Social Democratic Party), which had formed the Merkel III grand coalition and had together dominated German politics since the 1950s, won no more than a combined 53.4 percent of the vote. Of that, only 20.5 percent went to the SPD. This compared to 67.2 percent (SPD 25.7 percent) four years earlier. In 2005, in the election that led to Merkel I (also a grand coalition), their combined vote total was 69.4 percent (SPD 34.2 percent).

It is indicative of the new volatility of German politics that a supremely skillful politician like Merkel could have so grossly misread the electorate in 2017. Merkel's refugee policy had been calculated, among other things, to clear the way for a coalition with the Greens.² Instead it helped two new parties, Alternative for Germany (AfD) and the Free Democratic Party (FDP),³ get seated in the Bundestag, with 12.6 percent and 10.7 percent of the vote, respectively. While the AfD is passionately anti-immigration, the FDP opposes immigration-by-asylum and stands for a labor market-oriented immigration regime. After Merkel's desired new major-

ity with the Greens failed to materialize, replacing the previous grand coalition required the FDP to join the government as a third (or fourth) partner.⁴ The potential new coalition came to be colloquially known as “Jamaica,” referring to the colors of the country’s flag and the color code used to identify the prospective coalition parties (black for the CDU/CSU, green for the Greens, and yellow for the FDP). Jamaica failed in November 2017, after four weeks of intense “exploratory” talks, when the FDP bowed out at the last minute. Apparently this was because of Merkel’s practice of ruining disobedient coalition partners in the past—memories revived during the talks by the impression that a deep, preestablished harmony between Merkel and the Greens would sideline the FDP ministers in a future joint government.

The FDP’s withdrawal left only the SPD as a viable coalition partner for Merkel, but resistance inside the SPD to another grand coalition was intense. The SPD had suffered the most from the 2013–17 grand coalition and was reeling from its worst election performance ever. Expecting “Jamaica” to come about, the SPD leadership committed itself immediately after the election to renewal as a party in opposition. Yet this position changed three months later when the federal president, a Social Democrat who had lost against Merkel in 2009, reminded the SPD of its “national responsibility.” Feeling as though the choice was between death and suicide, the SPD agreed to talks with the CDU/CSU, which took two weeks in January 2018. A party convention on January 21 narrowly approved formal negotiations. Two weeks later, these negotiations produced a draft coalition agreement, which had to be voted on by the SPD membership.

On many points the draft agreement bore the handwriting of the SPD. Merkel, indifferent as always on substance, made far-reaching concessions to render the agreement palatable for SPD members. The price she paid was to create the impression that she was solely concerned with staying in power. Discontent grew even in her own party when she conceded three of the most important ministries to the SPD: Finance, Foreign Affairs, and Labor. With the Interior Ministry going to the CSU, only minor departments were left for Merkel’s CDU (apart from the chancellery, of course). For a while, the party seemed to fall into its deepest crisis since Merkel removed Helmut Kohl from the honorary chairmanship in 2000.

The SPD, too, began to fracture after the draft agreement had been published. Opposition to another grand coalition was strong regardless of the outcome of the negotiations. Many feared that, after four more years under Merkel, the party might end up behind the AfD. While the membership referendum was still under way, Martin Schulz, the hapless chancellor-candidate and inept party leader since early 2017, was forced to resign as both party chief and prospective foreign minister (the post he had claimed for himself, after having categorically ruled out serving in a Merkel cabinet). Shortly thereafter, Merkel nominated several new faces, half of them women, for the remaining six CDU cabinet posts. This silenced her internal party opponents for the time being. On March 4, it was announced that two-thirds of SPD members (with a turnout of 78 percent) had voted in favor of another grand coalition, with many voting for it out of fear that a fresh general election would result in another, even more severe, defeat. On March 14, the Bundestag narrowly elected Merkel to a fourth term as chancellor.⁵

Crucially, the tortuous path to a renewed grand coalition raised the issue of Merkel's future. Up to the 2015 immigration wave, Merkel had dominated her party even more than Kohl had, changing direction at will, dressing the CDU in greenish, center-left colors while eliminating everybody who might have challenged her for succession. This helped her in the postelection crisis when, after finance minister Wolfgang Schäuble's retirement, there was no one left who could realistically claim to succeed her without her consent. Still, after the disastrous election results, the half-year delay in forming a government, and the awkward concessions required to assemble a coalition, it appears unlikely that her party will nominate her for a fifth term in 2021. This means that her successor will have to be determined in the summer of 2020, at the latest, to allow enough time for campaigning. In other words, roughly around the middle of her fourth term, Merkel will turn into something of a lame duck. Moreover, not only has the lengthy period of government formation cut into her useful life in office, but so will the regional election schedule. No politically difficult decisions can be made before the Bavarian elections in October 2018, certainly not on matters "European."

EUROPE IN GERMANY

German national politics is a crucial factor in the politics of Europe, just as Europe is a powerful domestic presence in Germany. The “permissive consensus” that for several decades allowed European integration to proceed unimpeded was stronger in Germany than elsewhere, except perhaps in Italy.⁶ Up to today, “Europe”⁷ carries something like a sacred aura in Germany, too elevated to be linked to dirty concepts like national interest. The main strongholds of German Europeanism are the educated middle classes and the young generation, for whom Europe stands for all that is both virtuous and pleasant—from peace, human rights, tolerance, and “openness” to an international labor market and convenient travel across borders. Reflecting the difficulties of identifying with a German nation after 1945, German pro-European sentiment has long considered it self-evident that the EU is ultimately the vessel into which European nations can give up their separate states, identities, and interests. While other member states may have joined the EU to restore or preserve their national sovereignty,⁸ Germany is in the EU to get rid of it, firmly believing that this holds true for all others as well.

This, of course, does not mean that German Europeanism was (and is) not interest-driven. Accession to the EEC in the 1950s was necessary for the reemergence of West Germany as a sovereign state. Moreover, guaranteed access to an ever-expanding, integrated European market was and is indispensable for the prosperity of Germany’s overindustrialized, export-heavy economy. Today, market access is assured by the common currency, which also artificially depresses the exchange rate for German industries exporting to the rest of the world.⁹ In German public consciousness, however, German material interests in “Europe” are overlaid by an image of the EU, including the EMU, as a “value community” (*Wertegemeinschaft*). This obfuscates the structural question of how Europe is, and should be, politically and economically organized: as a free-trade zone, a platform for cooperation among sovereign nation-states, an international organization devoted to the “globalization” of national economies, or a supranational superstate—and how in particular it is to be related to national democracy. Since any discussion of this question could undermine “Europe” as an integrative symbol—by waking sleeping dogs and laying bare the

superficiality of a merely idealistic pro-European consensus—it is studiously avoided. Here Merkel’s unmatched capacity for content-free speech has been invaluable for preserving the interest-free “green” appearance of German Europeanism, which is so attractive to middle-class voters.

One upshot is that, in Germany, national interests tend to be confused with general European interests.¹⁰ When other countries distinguish between the two, let alone give precedence to the former, Germans are honestly puzzled, and the distance from puzzlement to moral disapproval is short. In Germany, being less than enthusiastic about the EU’s “ever closer union of the peoples of Europe” (Treaty of Maastricht) is considered indicative of a moral deficit: witness the universal moral condemnation of the British decision to exit. Asserting national interests in the face of something as sacred as “the European idea” is regarded as a deplorable lapse into a discredited past. Meanwhile, German insistence on an integrated market in which no country is allowed to cheat against German industry by devaluing its currency is not seen as the defense of a national interest but as compliance with a moral imperative.

The prospect of German national interests dissolving into a common European interest, or a “European idea,” is most popular among the Greens. But it is also shared by a sizable section of SPD voters and members, even though their exact number remains unclear. When Sigmar Gabriel realized in early 2017 that the SPD had had enough of him as chairman and chancellor-candidate, he called in Martin Schulz, a former president of the European Parliament who failed to advance to the European Commission presidency, to take over both SPD positions.¹¹ As Schulz had no experience in German politics and policy, the idea, apparently, was for the SPD to benefit from his “European” aura. Interestingly, however, Schulz chose not to campaign on “Europe”—on the advice of his staff he never even mentioned the subject—but on “social justice,” a decision he later considered one of his many mistakes. Probably to correct this perceived error, Schulz, out of the blue, called for a “United States of Europe” at an SPD convention on December 7, 2017, to be completed “at the latest in 2025.” Countries unwilling to join would have to leave the EU. (The phrase “United States of Europe” never resurfaced.)

Meanwhile the “Jamaica” talks collapsed, not least because of FDP suspicions that Merkel and the Greens had already reached a tacit agreement to offer substantial fiscal concessions to France.¹² In response, and egged on by their French connections, Schulz and Gabriel insisted that the coalition agreement’s chapter on “Europe” was to come first, which was celebrated by the mainstream media as an important step forward.¹³ Allegedly Schulz and his old comrade-in-arms, Jean-Claude Juncker of the European Commission, co-authored the Europe-related portion of the agreement, with Merkel, programmatically agnostic as always, waving it through unchanged. The hope, however, that this would generate enthusiasm among SPD members for Schulz and another grand coalition was soon disappointed. When Schulz, in his address at the January party convention, once again spoke of Emmanuel Macron having called him to demand that the formation of the new government be sped up, delegates laughed contemptuously, to the surprise of Germany’s European-minded mainstream journalists.

LIABILITIES COMING DUE

Among the legacies of Merkel III is an unprecedented fragmentation of the German political party system, with the AfD establishing a sizable presence in the Bundestag, and the FDP a somewhat smaller one. Both got there in the wake of Merkel’s border opening in 2015. Compared to other countries, Germany’s six or seven parliamentary parties (depending on how one counts the CSU) may not seem excessive. But two of them, the AfD and the Linkspartei, which together represent 22 percent of the electorate, are treated as outcasts by the others. This excludes them from any government majority and is one reason why the formation of Merkel IV was so difficult. (In East Germany, the two parties together account for about 40 percent of the vote.¹⁴)

The German parliament is a potentially quite powerful body, provided that it uses its rights. Under Merkel III it often failed to do so. When it came to “Europe,” in particular, both opposition parties, the Greens and the Left, were eager to protect their “pro-European” reputation by not being too inquisitive. Now, if the AfD learns the parliamentary ropes, this will change. And while the FDP, as a liberal party, is clearly “pro-European,” it is also a standard-bearer

of the German ordoliberal tradition. It will therefore not tire of reminding the government of principles, like those in the Maastricht Treaty, that the chancellery claims to subscribe to in public, but which have often been scorned in practice. The AfD, for its part, being clamorously anti-immigration, will miss no opportunity to demand access to politically sensitive government information on this matter.

Concerning Europe, Merkel III achieved its overriding objective: the rescue of the euro as a common currency. This is no minor achievement given the euro's essential contribution to German prosperity. Apart from this, however, Merkel's European legacy is full of potentially destructive liabilities.

The sudden invitation in September 2015 to what was to become roughly a million migrants entering Germany—and, ipso facto, the Schengen zone and the European Union—served German needs, both domestic and international, and was extended without consultation with Germany's European partners. Domestically, it was intended to prepare a change of coalition in 2017, by helping Merkel overcome the “ice queen” image she had contracted when, early in 2015, she explained on a live TV show to a crying Palestinian refugee girl about to be deported that “we cannot take all of you.” Internationally, it responded, by “showing a friendly face,” to the controversy over the latest “austerity” diktat delivered to Greece in June 2015, which had provoked a wave of cartoons all over Europe portraying Merkel and Schäuble in *Wehrmacht* uniforms adorned with swastikas.

Among other things, the border opening caused a deep rift with eastern Europe, which became even deeper when countries like Hungary and Poland were subsequently threatened, by both Merkel and Schulz, with a cut in EU subsidies unless they agreed to take in a fixed share of an indefinite number of new immigrants. The German immigration policy of 2015 also may have been the last drop in the bucket in favor of Leave in the Brexit referendum of June 2016.

No less destructive was another aspect of Germany's European leadership. German policy has long been caricatured by its critics as overly principled and inflexible, in line with stereotypes of “Teutonic” rigidity. But this was based mainly on the rhetoric of Merkel, her party, the Bundesbank, and the German Council of Economic Advisers. What was rarely noticed was that these latter were often

equally critical of Merkel's government, but for being *too accommodating*. Indeed, on close inspection, Merkel III had again and again tacitly encouraged the ECB and the European Commission to look the other way when, for example, France exceeded its debt limit, or the Italian state needed to refinance its banking system by "flexibly" circumventing Maastricht rules.¹⁵ To keep Merkel's political camp united, this could not be publicly admitted. The cost of such duplicity was that it remained possible to stir up popular discontent with German "rigidity" abroad, sometimes culminating in demands for reparations for German war crimes, or in verdicts by Italian courts authorizing the seizure of German government property, like facilities of the Goethe Institute, in Italy.

Among European elites Merkel's unacknowledged concessions seem to have been appreciated, as they helped keep the new "populists" out of power. With time, however, as the situation in the Mediterranean continued to deteriorate, German permissiveness had to be complemented with informal promises of eurozone reforms after Merkel's mandate had been renewed. There is, of course, no public record that such promises were actually made. But without them it is hard to imagine how European demands for fundamental institutional change could have fallen so perfectly silent for the duration of the German election campaign. Merkel's strategy may have been inspired by the memory of Helmut Kohl, who was widely venerated for picking up the bill when there was no other way of resolving tensions between EU member states, especially disputes involving Germany.¹⁶ As European bills increased in size, however, particularly after monetary union, German largesse reached its limits, and Schäuble's austerity succeeded Kohl's generosity as the prototypical German contribution to European integration.

The fundamental problem with Germany's promises of making future structural repairs to the European edifice, at German expense, was and is that they inevitably became increasingly unrealistic, both economically and politically. Little is so destructive in international relations as unrealistic expectations, especially when encouraged by a moralistic denial of national interests and their replacement with "values." Merkel's personal leadership style—which has always relied on a muddying of issues through skillfully crafted ambiguity and, more often than not, unintelligible speech—may have helped

her for a while. But ultimately, when the chips are down, the risk is that limited capacity is taken for bad will, and inability to deliver is seen as unwillingness to deliver. The *ultra posse* defense is foreclosed where moral disapproval stands in the way of a realistic adjustment of expectations. The distance between the promised and the possible becomes identified as a moral rather than a political or economic problem, and disappointment results in highly inflammable, emotional, and hostile rhetoric.

Ever since the euro crisis after 2008, Merkel's European policy consisted of successive short-term fixes to what were and remain structural problems, accompanied by signals of future structural remedies when the political conditions in Germany were right. The prospect of a coalition with the Greens was helpful in this, and so were Social Democrats like Gabriel and Schulz. The former as foreign minister and the latter as chancellor-candidate tried to score among European-minded German voters by repeatedly announcing higher German contributions to "Europe," to be given unilaterally and unconditionally, and by generally promising an "end to austerity" through increased "investment" of an unspecified kind. When Schulz let it be known that he was planning to succeed Gabriel as foreign minister, Italian newspapers waxed lyrical over the prospect of a "truly European" German government. Finally, Germany would be willing to recycle the German trade surplus—presumably located in the basement of the Bundesbank—to where it rightfully belonged, in Italy.¹⁷ (A few days later, Schulz disappeared in the SPD postelection maelstrom.)

Expectations like these are part of the difficult European legacy of Merkel and her SPD coalition partner that will now have to be painfully sorted out. After the demise of Schulz, the new star of the SPD became one Olaf Scholz, designated to be finance minister and to represent the SPD in the cabinet as deputy chancellor. Scholz, unlike Schulz, is an experienced politician who had been Minister of Labor in Berlin and previously served as mayor of Hamburg (a *Land* under the German constitution). A fiscally conservative Social Democrat, Scholz was one of the managers of Schröder's Agenda 2010. Despite knowing firsthand the problems that *Länder* and local communities have with balancing their budgets, Scholz is a vigorous supporter of the "debt brake" that Germany imposed on itself, at

both the national and the *Länder* level. Nevertheless, after Schulz's disappearance, the European press chose to be enthusiastic about Scholz—in the belief that, whether with Schulz or Scholz, the SPD in government would stick to its rhetoric about German responsibilities for European “shock absorption,” “investment,” and “solidarity.”

FROM THE FRENCH CONNECTION . . .

The British never cared much about the EU, as long as it did not become excessively united and they got their yearly rebate. But they did ensure a modicum of diversity and multipolarity in its ranks that was secretly appreciated by the less Francophile and more “Atlanticist” segment of the German political class, especially its ordoliberal wing. After Brexit, however, there is only one EU member state left that is a nuclear power and that holds a permanent seat on the United Nations Security Council. That state is not Germany, and there are no indications that France will consider Europeanizing its Security Council veto or the *Force de frappe*, or otherwise sharing them with Germany. There are political currents in Germany that can tolerate this, primarily the heirs of the “Gaullist” tradition of the 1960s who consider the special relationship between France and Germany as both engine and purpose of European integration.¹⁸ As for Merkel, her overriding priority is the survival of the European Single Market and the euro, for which she is willing to pay any price for as long as she can politically afford it.¹⁹ Nor does she seem to be either impressed or offended by French-style military and diplomatic pomp. Since 2017, however, she and her government are facing a new, highly ambitious effort by France under President Macron to revive European integration under French leadership—an effort that grows out of and is inseparably linked with Macron's domestic “reform” project.

French ideas of statehood, of Europe, and of the legitimacy of national interests differ significantly from German ones. Since the end of World War II, the principal objective of French policy has been to bind Germany, or what was left of it, into a French-led Europe.²⁰ While France would provide Germany with international representation through European institutions, Germany would lend to France, or to French-led Europe, its economic prowess. Soon-to-

be-united Europe was conceived, as a matter of course, as an extension of the French state, just as the Brussels Commission was conceived as a sub-department of French technocracy. That France insisted on defending its national sovereignty was, from a French perspective, never a problem.²¹ For example, when British accession threatened to interfere with the conception of an integrated Europe as a kind of Greater France, Charles de Gaulle vetoed it. Subsequent unwillingness on the part of French governments to discuss the *finalité* of European integration seems to have been due in part to unresolved differences over whether it would be possible to create a European construction that could include the Northern Europeans without undermining French dominance. German postwar federalism remained as alien to French political ideas as economic ordoliberalism, Foucault's admirable and admiring exposition of it notwithstanding.²² For a long time, differences were papered over by the Germans' happy acquiescence to the French habit of reassuring themselves of their general supremacy through elaborate ritualism, including nuclear testing, and the conjuring up of their imperial tradition.²³

Another strand in French-German relations became particularly important after German unification. For parts of the French ruling class, by that time including the Socialists after François Mitterrand's renunciation of Keynesianism, the German economy was not just a useful resource for a powerful French-led Europe but a model for France to emulate through "structural reforms" aimed at increasing French competitiveness. To force such reforms on their reluctant society, French governments since the mid-1980s have tried to enlist the help of the Bundesbank by linking the franc to the deutsche mark.²⁴ But this could not be more than a temporary expedient since the "external constraint" this created was at risk of being both too strong and too weak: too strong, because it was likely to create unmanageable adjustment problems for French industry; too weak, because it did not strictly foreclose devaluation. This was why Mitterrand sent his finance minister, Jacques Delors, to Brussels to prepare, as president of the European Commission, the introduction of a common European currency.²⁵ When Kohl felt he needed French assent for German reunification, Mitterrand demanded monetary union in return, and Kohl obligingly overruled the Bundesbank and cleared the way for the euro.

From early on, French policy on monetary union was beset with a fundamental contradiction. When the European Central Bank replaced the Bundesbank as the de facto central bank of Europe, monetary union was sold in France and Mediterranean countries as serving two conflicting purposes at the same time, depending on audiences and occasions: on the one hand, to help European economies reform themselves, in order to become as competitive as Germany; on the other hand, to end once and for all the German stability dictatorship. The latter meant a move toward a more “employment-oriented” and socially accommodating fiscal and monetary policy—in effect, a more politically driven rather than rule-driven policy approach. Analogous to its withdrawal from the European Defense Community in 1954, however, France—always on the alert over its national sovereignty—shrank back from embedding monetary union in political union, as suggested by Kohl. As a result, countries whose elites were unable to push through the “structural reforms” demanded by a German-style hard currency were doomed to suffer economically, as they no longer had the option to restore their competitiveness by occasionally adjusting their exchange rate. When this caused “populist” resistance to the euro, national governments began to blame their predicament on the Germanic-Teutonic legal framework of the Maastricht Treaty. Ultimately this led to demands for the German austerity fanatics to compensate less successful countries for the costs they had to bear because of the German obsession with monetary stability.

... TO THE FRENCH EMBRACE

The ascent of Macron has added new aspects to French-German relations that create further complications. After Macron won office in May 2017, it became commonplace among the German political mainstream that, following two one-term presidents, Nicolas Sarkozy and François Hollande, he was Germany’s last defense against an anti-German, “anti-European,” and perhaps even anti-euro France. If Macron were to fail, to be succeeded by either Jean-Luc Mélenchon or Marine Le Pen, or other “populists” of the Left or Right, the euro would fail. And as Merkel never tired of repeating, “If the euro fails, Europe fails.”

Paradoxically, it is precisely his political vulnerability at home, due to his thin electoral base and the fragility of his synthetic movement-cum-party, that gives Macron unprecedented bargaining power in relation to Germany.²⁶ This was reflected in the prominent presence of Macron's European pronouncements in Germany during the postelection interregnum. Whenever coalition talks threatened to stall, Merkel, the Greens, and, later, the SPD leadership insisted that Germany "owed an answer" to Macron's "far-sighted" and "courageous" European visions and to his "outstretched hand" (a phrase repeated again and again).

It cannot be overemphasized how critical "Europe" and Germany are to Macron, including to his domestic politics. To express his sense of urgency, Macron scheduled a public speech on Europe for September 25, 2017, the day after the German election, obviously expecting that Merkel would be certain of another term by then. Whether the content of the speech, given to students at the Sorbonne, had been discussed with Merkel beforehand one cannot know; certainly, it was carefully crafted to suit German "pro-Europeanism" while hiding conflicts behind rhetoric decipherable, if at all, only to the initiated. In the speech, Macron more openly than before committed himself to the *Modell Deutschland* version of French Europeanism, based on a belief in the salutary effect German-inspired economic reform would have on France. In this vision, German concessions would be secured not through a political alliance with other Mediterranean countries, forming a structural majority in a "democratized" eurozone (as envisaged by the French Left), but from restored German faith in French reformism. As a first confidence-building measure, Macron suggested that France and Germany renew the Treaty on German-French Cooperation, signed on January 22, 1963, by Konrad Adenauer and Charles de Gaulle, also known as the Elysée Treaty or (particularly in Germany) the French-German Friendship Treaty. This was enthusiastically received in Germany for its ceremonial and sentimental value. To fill the gap during the Merkel interregnum, the Bundestag staged a celebration of the Treaty's fifty-fifth (!) anniversary in January 2018, with a speech by the president of the Assemblée nationale given, in flawless German, to a full house. Later that same day, a delegation of Bundestag members attended a parallel session in Paris, where Wolfgang Schäuble spoke as the Bundestag's newly elected presi-

dent. This time, however, the auditorium was almost empty, something the German media hid as best they could.

The joint resolution of the two parliaments passed at the Treaty “anniversary” features an almost unending list of “practical” (i.e., easy-to-realize) joint projects—for example, facilitating all manner of local cross-border exchange and cooperation, like French-German daycare centers in border areas. Many of these projects also appear in Macron’s Sorbonne speech, but there they serve as padding for a series of high-politics initiatives that are, to varying degrees, difficult for the German side. These latter include military cooperation against terrorism, to be accompanied by an increase in economic development aid. Specifically, Macron proposes an “autonomous operating capability” of the EU, “in complement to NATO,” building on and extending the so-called Permanent Structured Cooperation (PESCO) among EU member states inaugurated in 2016. Unlike NATO, the new European defense force could be deployed anywhere, for any reason, and independent of the United States. For Germany, this is likely to imply a stronger presence of German ground troops in the postcolonial wars of what used to be called *Françafrique*.²⁷

Public aversion toward military expeditions in far-off places runs deep in Germany. Although the Greens and the FDP will insist on strict parliamentary oversight, and the AfD and the Linkspartei will be opposed tout court, in the end Macron will get his will, if only because this is something he has to get. The same may be true of his demand for an end to illegal immigration across the EU’s external borders. After various terrorist incidents in early 2018, Macron took a series of measures to sharply curtail the number of immigrants entering France. Getting “Europe” to seal the European border would be an extension of his national policy and make it more effective. That policy is incompatible, however, with Merkel-style immigration-by-asylum-without-ceiling, even the watered-down version that made it into the 2018 coalition agreement. But while protest from Social Democrats, the Greens, and the Left is certain, the CSU—now in charge of the Interior Ministry—and also the SPD leadership will be grateful to the French for precluding a repeat of Merkel’s 2015 refugee policy and will happily pay for the stricter European border controls.²⁸

Things are much different with respect to Macron's other major initiative, most likely the one dearest to his heart, which calls for a swift completion of the "banking union" along with a separate budget, a "finance minister," and a parliament for the eurozone. That package has been around for some time, in various formats.²⁹ Merkel, in typical fashion, had publicly welcomed it while working internally to redefine it to suit German needs and interests. What helped her was that Macron had refrained from being overly specific on crucial details, at least in public. Rumor had it, however, that the banking union would somehow distribute responsibility for bad debts, particularly those piled up by Italian banks, Europe-wide.³⁰ It was also reported that the eurozone budget, funded by taxes and, perhaps, debt, would amount to up to 3 percent of the eurozone's GDP.³¹ Moreover, this budget would be spent by the European finance minister on "investment" and "European solidarity" of an as yet unspecified kind, as determined by a eurozone parliamentary majority.³² It is easy to see that, from a German perspective, this could appear to open a path to circumventing national debt limits and enabling eurozone institutions to take up debt guaranteed, ultimately, by economically strong member states. Merkel, trying not to make Macron's domestic political life even more difficult, seems to have been ready to concede the finance ministry and the budget, but only on the condition that the former would be charged with enforcing the European Fiscal Compact, in particular its national debt limits. The budget, meanwhile, would remain small and could only be dedicated to specific purposes, details to be settled later.³³ In many ways, this would have turned the French proposal into its opposite.

As indicated, a recurrent theme during the Merkel interregnum was that Germany needed a new government as soon as possible, to be able to respond to Macron's proposals for European reform. It was, however, only in the spring of 2018 that the French plans began to be seriously explored in Germany, let alone discussed with France.³⁴ How difficult the matter was for German postelection politics may be seen by comparing the various documents that came out of the talks on a new coalition. The "Jamaica" draft of November 15, 2017, promised "an adequate German contribution to the EU budget" while explicitly ruling out "instruments for automatic transfers or debt mutualization." This was all, a few lines on sixty densely

written pages. Two months on, the CDU, CSU, and SPD tried to strike a balance between concessions to the EU and to France. To the EU they pledged, among other things, more powers for the European Parliament and higher German contributions to the general EU budget. For the benefit of France, they undertook “to strengthen and reform the Eurozone so that the euro can better withstand global crises.” For this purpose they envisaged developing “the European Stability Mechanism into a European Monetary Fund, under parliamentary control and anchored in Community law.” (Separate institutions, formal or informal, for the eurozone are anathema to the Commission.) They also committed Germany to “moving ahead” with France alone “in areas in which the EU with 27 member states is not capable of acting.”

Only a month later, however, the winds had begun to shift.³⁵ The coalition agreement, finalized on February 7 and signed on March 12, devoted just 4, although the first 4, of 179 (!) pages to “A New Start for Europe,” following the protocol but with significant modifications. More guarded than its predecessor, it foresaw “specific budget provisions for economic stabilization and social convergence, also to support structural reforms in the Eurozone, as a possible starting point for a future Eurozone investment budget.” Moreover, unlike the protocol, the agreement emphasized the importance of the Stability and Growth Pact and demanded that “risk-taking and liability” not be separated. Regarding a future European Monetary Fund, it retained the language of the protocol but added as a condition that “the rights of the national parliaments remain un-abridged.”

Even more sobering was the long-delayed official start of Merkel IV. Euro-enthusiasts and, no doubt, the Elysée had reacted with excitement to the fact that the SPD had secured for itself both the foreign and the finance ministries. But it took only one day in office for the new SPD heavyweight, Olaf Scholz, to state in a newspaper interview with reference to “Europe” that, “A German finance minister is a German finance minister.”³⁶ Scholz also missed no opportunity to commit himself publicly to his predecessor’s legacy of a *schwarze Null* (a “black zero”), meaning a balanced budget, for the entire term. To make sure he was correctly understood, he reappointed the architect of Schäuble’s balanced budget policy, one Werner Gatzert, as one of his four secretaries of state.³⁷

How deep the water is that lies ahead for Franco-German relations is further indicated by the budget policy sections of the CDU/CSU/SPD protocol and the coalition agreement, which reflect Scholz's rising influence after the demise of Schulz. Here a budget surplus of 46 billion euros is envisaged for the four years of the term (2018–21), all of which is allocated to various domestic policy projects.³⁸ No provisions are made for higher contributions to the post-Brexit EU budget,³⁹ let alone for a European Monetary Fund or a separate budget for the eurozone. If, as suspected, the eurozone budget is to be a facility for circumventing national debt limits, by way of something like Eurobonds, it will be resisted by the Finance Ministry, if only because it may be found to be in violation of the German constitution. As funding out of Europe-wide, harmonized taxes is far off, all Germany can concede here is a small, mostly symbolic fiscal contribution with, perhaps, a promise of more to come. One can doubt whether this will be enough for Macron. Furthermore, German resistance would be both backed and demanded by a “Northern Alliance” organized by the Netherlands and including Ireland, the three Scandinavian countries, the three Baltic states, and, effectively, Austria, a group that met in early March to express their concern over a possible *rapprochement* between Germany and France.⁴⁰ On the other hand, if treaty changes fail to pass, France may urge Germany to join its reforms anyway, as an expression of French-German friendship, inviting other countries to join later.

As things stand now, any additional spending on Europe asked of Germany must be found in the general budget and thereby reduce domestic spending. Concealed transfers to EU member states through the ECB, the European Development Bank, or a European Monetary Fund are at risk of being publicly exposed by the two less-than-europhoric opposition parties, FDP and AfD. The same holds for ECB state funding in circumvention of Maastricht, for which the German government may be taken to the Constitutional Court more often than it has in the past. Obviously all sorts of other fiscal maneuvers can be imagined by which to make allocations to “Europe,” especially in the name of Franco-German friendship. But with the new composition of the Bundestag and the SPD desperate to reconnect to working-class and lower-middle-class voters, Merkel's room for concessions seems extremely narrow.

REFOUNDING EUROPE?

The politics of organized Europe have always been conducted through two channels, a supranational and an intergovernmental one. Germany has traditionally preferred supranationalism, reflecting its desire to avoid conflict and hide its influence behind rules that make negotiations unnecessary. Intergovernmentalism is also resisted because it could give rise to a “Europe à la carte,” of “variable geometry” or “different speed,” allowing countries to “cherry-pick” from a menu of possible areas of cooperation.⁴¹

The French, by contrast, have always felt free to switch between the two, depending on what suited their interests best, while generally insisting on a special French-German relationship as the core of the “European project.” On this, as on everything else, Merkel was never dogmatic. In her management of the euro crisis she worked closely with Sarkozy and Hollande, often bypassing Brussels. Some of the measures taken, like the Fiscal Compact, are even formally of an intergovernmental nature, also because the British prevented them from being signed into Community law.

It is indicative of the sheer ambition of Macron’s European reform project that he recently opened a debate on a third, plebiscitary channel for European politics. Although his rhetoric here is comparatively frank, there has up to now been little public comment on his proposal, probably because it is too far off the traditional European integration discourse. In the Sorbonne speech and elsewhere, Macron called for nothing less than a “refounding” of Europe, by way of Europe-wide “consultations” in “citizen assemblies” to result, according to Macron, in a “sovereign Europe.” A first step is a plan to “Europeanize” the European elections in 2019 by reserving the seventy-six seats vacated by the UK to transnational European lists of candidates (and in subsequent elections make one half of the seats transnational). Up to now, members of the European Parliament have been elected under national electoral rules and from candidates nominated by national political parties. During the German interregnum, Merkel seems to have come under pressure from Paris to get the national parties that form the European People’s Party, the CDU and CSU among them, to agree to EU-wide lists in 2019. Opposition to this idea was fierce enough to make Merkel publicly distance herself from it. Similar pressures may be

felt by national center-left parties which, having less to lose, may be more obliging.⁴² Unless Macron gives in early, perhaps in exchange for support for his more conventional reform program, this struggle may become passionate.

In any case, there are reasons to take Macron's electoral project seriously, especially in light of its parallels to his "refounding" of the French political system. In its essence, the project comes down to nothing less than a revolutionary attack on the supranational center-left-cum-center-right establishment in Brussels organized around the techno-bureaucracy of the Commission and a powerless Parliament.⁴³ Macron's electoral strategy would mop up free-floating "cosmopolitan" sentiment among the young and the professional middle classes, not just in France and Italy but also in Germany, as manifested for example by the "Pulse of Europe" events in the summer and fall of 2017.⁴⁴ The hoped-for result would be a European version of Macron's synthetic quasi-party, *La République en Marche* (LaREM), consisting of mostly political newcomers and Macron himself as the charismatic, *bonapartiste* leader, bringing to bear plebiscitary-populist legitimacy, not just on Brussels, but also on EU member states in the name, provocatively, of a "sovereign Europe."

Macron's initiative reveals not just boundless personal self-confidence, fortified no doubt by his victory in 2017 and, perhaps, by German adulation. It also sheds light on the peculiar nature of French nationalism, which sees itself as universalism. From a French perspective, there is no conflict between a "sovereign France" and a "sovereign Europe," as long as Europe is properly constituted on universal, i.e., French principles and governed out of Paris, as an extension of French sovereignty.⁴⁵ While in Germany a sovereign Europe is the desirable termination of national, including German, sovereignty, in France it is a condition, or a contemporary version, of a sovereign France. Replication of LaREM at the European level in particular—the destruction of the postwar party system and the replacement of its dual center with a *Partei neuen Typs* (in Leninist terms)—far from abolishes French national sovereignty but widens and thereby preserves it.

THE POOR COUSIN

On the same day that German Social Democrats announced the result of their referendum, Italy elected a new parliament, and, as in Germany, the center did not hold. The Partito Democratico (PD), sometimes called social-democratic, sometimes Christian-democratic, led by Matteo Renzi, who had promised to “demolish” the old political class and its institutions,⁴⁶ ended up with a mere 19 percent (23 percent including allied parties), compared to about 40 percent in the European parliamentary election of 2014. (Note that this was roughly on the order of the disastrous result of the SPD half a year earlier.) Thirty-three percent went to the Five-Star Movement (Movimento Cinque Stelle, M5S), while 37 percent voted for the right-of-center alliance between the Lega, the reborn Lega Nord, and Berlusconi’s Forza Italia.

The election made Italy the first EU member state with a solid “populist” and “euroskeptic” majority. Politically, the country is now divided into three parts. The PD, a descendant of the once-proud Communist Party, came out first just in Tuscany, the center of the former Third Italy, and, surprisingly, in the prosperous, mostly German-speaking Alto Adige (South Tyrol). Otherwise, everything north of Tuscany, including Emilia Romagna, fell into the hands of the Lega-Berlusconi alliance, while southern Italy became Five-Star country. The outcome reflects deep frustration over two decades of economic stagnation and unfulfilled promises, with the country deadlocked between the pressures of the hard-currency euro regime for neoliberal “reform” and popular resistance against it. Perhaps decisive on the margins was immigration, which, like in many other European countries, seems to have become the embodiment of a sort of “openness” that brings with it a loss of popular-democratic control and relentless pressures for never-ending change in everyday life—economic, social, and cultural.

Forming a new government will take time, perhaps as much as it did in Germany. If Renzi has his will and the PD stays out (but remember the SPD!), the question will be whether the two large “populist” blocs can govern together. From a Franco-German perspective, what will matter most are the implications for the common currency. While the election outcome was not (yet) anti-euro, it was certainly not pro-euro either, which widens any future

Italian government's room to maneuver. During the campaign, Berlusconi and his allies floated the idea of a second currency, called the New Lira, in addition to the euro, but subsequently focused on immigration. M5S, for its part, had initially promised a referendum on the euro, only to fall silent on it later. Apparently, both were afraid of adding to voters' economic anxieties and thereby perhaps playing into the hands of Renzi and his pro-euro centrism.

Two general observations seem to suggest themselves here. First, the Italian party system is now as bankrupt as was the French system when Macron set out to demolish it (and, unlike Renzi, came out on top). M5S is still learning to be more than a protest movement; Berlusconi is barred from public office due to his conviction for tax evasion; and the Lega must sort itself out to become a truly national party. If there is one country in Europe outside France where Macron's Bonapartist project for the upcoming European elections could be successful, then this might be Italy, where Macron could try to inherit the pro-Europeanist sentiment that had once supported Renzi's now-defunct PD.

Second, whoever will govern Italy in the end cannot be expected by Germany, France, or the ECB to push through the neoliberal "reforms" that cost Renzi and his party their political life. Macron's call for fiscal discipline will go as unheard as German concerns over having to pay other peoples' debt. With a second currency and a euro referendum as strategic options, old-fashioned conditionality will be impossible to enforce, and Italian governments can insist on all sorts of bailouts just for not exiting, in one form or another. From the outside, abandoning the euro or introducing a New Lira may seem risky for Italy itself, especially if done unilaterally and without support from Merkel and Macron (who must avoid opening a door out of the EMU at all costs). But it may be just as risky for Italy's European partners. For Germany, in particular, the collapse of the euro could mean the end of the economic bonanza that Merkel has defended tooth and nail in the name of "the European idea."⁴⁷ If Italy can credibly create the impression that it is politically prepared to blow itself up, taking the rest of the eurozone with it, it would enormously enhance its European bargaining power, ensuring continued state financing through the ECB and a European-German rescue of its banking industry practically for free.

WELCOME TO HARD TIMES

Not only Italy in relation to Germany and France, but also Germany and France in relation to each other, today draw external strength from internal weakness. Macron's most powerful weapon is the German fear that, by the end of his term, his centrist populism may be overtaken by the populism of the Left or the Right, or both, with him ending up as demolished as Renzi. Merkel, for her part, can fend off French demands by pointing to a new domestic politics tying her hands and rendering previous German promises unredeemable. And whoever will govern Italy can stave off German and, more recently, French calls for "reform" by pointing to invincible domestic resistance and the collateral damage for the whole of Europe that would result from an Italian exit from the euro. The result is a balance not of power but of impotence, prefiguring a deep political stagnation, with bad surprises looming everywhere and waiting to happen at any time.

For Germany, the hidden European hegemon of the past decade, its idealistic-ideological rhetoric and confidential undertakings used for years to buy time now look like chickens coming home to roost. Gone is the time when empire could be imagined to come for free, as a reward for moral virtue and good housekeeping. As its political creditors ask for what they believe they are due, Germany faces them empty-handed. It is not just its own country, but also its previous northern European allies, that Merkel IV will be unable to deliver when it comes to making European integration great again. As to France, the idea of stabilizing the country by making it dream of Europe as a Greater France, and thereby defeating the "euro-skeptic" Left and Right, is already looking unrealistic. Germany will not be integrated into a French-dominated European political economy, and French economic discontent will not be overcome by officially ordained "pro-European" enthusiasm.

Italy, meanwhile, now resembles Greece, in that it can neither hope to recover on its own nor to be saved by others. While Germany, in particular, but also France, cannot let Italy exit from the EMU in peace—just as they cannot let Britain exit from the EU in peace—Italy will not heal as long as it remains locked into the eurozone. There is no politically feasible institutional reform either at the European level or in Italy itself that could get the country

back on its feet. Nor is there reason to believe that renewed economic growth will somehow bail out the European political economy, given abounding uncertainties in the European environment: Trumpian protectionism, Chinese-American trade wars, Brexit, the limits of “quantitative easing,” the inevitable “correction” of the stock market bubble, and so on.

With the interlocking disabilities of the main European countries and the crises of domestic and international leadership associated with them, we should expect continued drift and institutional decay, punctuated by successive short-term emergency operations that are profoundly unsuited to stopping the rot. Democracy and the public will have to be sidelined as much as possible, while financial markets will have to be assured of “market-conforming” (in Merkel’s formulation) politics.⁴⁸ Institutional frictions will intensify, and social discontent will accumulate in Italy, France, Germany, and elsewhere. As in the past, national interests will be dressed up as European interests, to hide imperial ambitions of different kinds and to remove them from public discourse and diplomatic balancing. In the emerging *société bloquée* of Europe, politics will continue to deteriorate into ritualistic symbolism, following the hard-won insight of power holders—who hide it from the public as much as possible—that politics cannot oppose global markets and therefore should not even try to do so. In the process, European symbols will fall in disgrace as citizens learn that they lack the magical power to ward off the destructions, allegedly creative, of economy and society inflicted on too many by border-crossing “free” markets.

As the years of Merkel IV pass, “populists” of all kinds, Left and Right, will feel confirmed in their view that the European institutions inherited from the neoliberal 1990s will never be converted into protections against the gales of “globalization”—in fact, that they are so firmly locked into their historical path that they cannot be converted or “reformed” at all. All that those running them, desperately seeking to maintain an appearance of control, can do is hope that somehow things will turn out fine, for unknown and unknowable reasons. Public displays of unshakable optimism, daily protestations of good, “value”-based intentions, and hectic “news”-generating activities will be used to keep alive citizen confidence while waiting for the return of some mysterious self-restoring equilibrium, or alternatively for citizens adjusting to the end of

government, national and supranational, and the advent of governance, and indeed global governance. Meanwhile, Germany will even more than in recent years become the target of international resentment, including in France, as Franco-German *Kerneuropa* (“core Europe”) will remain mostly symbolic and ceremonial. By the end of Merkel IV, we may be looking not just at the impending end of Macron, but at what journalists will call Italexit, with or without Franco-German consent. As a result, the euro—the very cornerstone of German post-2008 prosperity—would change beyond recognition or cease to exist. Unable politically and economically to compensate the losers of the EMU, Germany cannot hope to remain a winner. ^A

NOTES

- ¹ Herfried Münkler, *Macht in der Mitte: Die neuen Aufgaben Deutschlands in Europa* (Hamburg: Körber-Stiftung, 2015).
- ² This was a second attempt after the “energy turn” (*Energiewende*) following the Fukushima Daiichi disaster of 2011. Surprisingly, in 2013 this was not enough to make the left wing of the Greens renounce plans for tax reform as a condition of joining the government. Since then, and because of this, the centrist wing of the Greens gained the upper hand.
- ³ The FDP returned after its near-death experience of 2013 when, as Merkel’s junior partner for four years, it failed, at 4.8 percent, to pass the 5 percent threshold.
- ⁴ CDU and CSU are formally two separate parties. But the CSU fields candidates only in Bavaria, and the CDU only outside Bavaria, which makes them, in their jargon, “sister parties.” Since the 1950s, the CSU has governed the *Land* of Bavaria, almost always with an absolute majority. In part this was because of its distinctive presence at the federal level, where it aggressively represents Bavarian interests and sentiments, if need be, in conflict with the CDU. In effect, this contains whatever separatist tendencies may still exist in Bavaria.
- ⁵ Of the 399 combined votes of CDU/CSU and SPD, Merkel received 364, a difference of 35 and just 9 more than needed for the required absolute majority.
- ⁶ Leon N. Lindberg and Stuart A. Scheingold, *Europe’s Would-Be Polity: Patterns of Change in the European Community* (Englewood Cliffs, N.J.: Prentice-Hall, 1970).
- ⁷ Any distinction between Europe, the continent, and “Europe” as an idealized form of the European Union is something that the aficionados of the latter do all they can to blur.
- ⁸ Alan Milward, *The European Rescue of the Nation-State* (London: Routledge, 1992).

- ⁹ Fritz W. Scharpf, “Forced Structural Convergence in the Eurozone—Or a Differentiated European Monetary Community,” MPIfG Discussion Paper 16/15, Max Planck Institute for the Study of Societies, Cologne (2016).
- ¹⁰ In this respect, if in no other, German domestic politics resembles that of a (potentially) hegemonic country. The same applies, of course, to France—only that the French imagine European interests as identical with French interests, whereas Germans imagine European interests as negating or superseding all national interests, including German ones. As long as both sides tactfully refrain from raising the issue, the two concepts can more or less comfortably coexist.
- ¹¹ On this and the subsequent election campaign, see Markus Feldenkirchen, *Die Schulz-Story: Ein Jahr zwischen Höhenflug und Absturz* (München: Deutsche Verlags-Anstalt, 2018).
- ¹² Note that Macron had allegedly stated before the election that, “if the FDP gets into the German government, I’ll be dead.” More on this below.
- ¹³ Both had worked hard throughout the year to boost their image by meeting with Macron and occasionally lunching with the philosopher Jürgen Habermas, at least once together with Macron himself. Gabriel went as far as to declare Macron a Social Democrat, and Habermas let it be known that Macron was about to abolish “the tragic division between Right and Left in French politics.” When the SPD was getting ready to discard Gabriel as Foreign Minister, Habermas demanded in an article in a weekly journal, *Die Zeit*, that he be retained in office, on account of his visionary Europeanism. On the antics of Gabriel see Feldenkirchen, *Die Schulz-Story* (2018).
- ¹⁴ East German per capita income has for many years been at roughly three quarters of the German average, in spite of yearly financial transfers to the tune of about 4 percent of German GDP. The implications of the stubborn persistence of regional inequality even in a federal state like Germany for the politics and economics of the eurozone are rarely ever discussed. See Wolfgang Streeck and Lea Elsässer, “Monetary Disunion: The Domestic Politics of Euroland,” Max Planck Institute for the Study of Societies, Cologne (2014), Discussion Paper 14–17.
- ¹⁵ Johannes Becker and Clemens Fuest, “Deutschlands Rolle in der EU: Planloser Hegemon. Ein Gastbeitrag,” *Frankfurter Allgemeine Zeitung*, December 13, 2016.
- ¹⁶ See Germany’s paying the lion’s share of the costs of the Common Agricultural Policy (CAP), which mainly benefited France, in return for open markets for its manufacturing sector.
- ¹⁷ One may suspect that this was in no small part to prevent an anti-euro majority in the then-upcoming Italian election. If it was, it failed spectacularly. See below.
- ¹⁸ The most prominent exponent of this tradition is Schäuble. With some qualifications, one can say that German “Gaullists” mostly come from the German Southwest, the area close to the French border. Here memories of the occupation after 1918 and 1945 may still linger, giving rise to a desire once and for all to foreclose a repetition.

- ¹⁹ It is a subject in its own right why Merkel didn't do more to prevent Brexit. Perhaps to please eastern European countries, she refused David Cameron the concessions on intra-EU migration that he thought he needed to win the referendum. Later she left the Brexit negotiations to a high-ranking French official, Michel Barnier, who is apparently eager to make Britain's exit from the EU as painful as possible. Note that once Brexit will be effective, the northern EU member states will only account for 30 percent of the EU's combined population, five less than required for a veto under the Treaty of Maastricht. The share of the Mediterranean countries will increase to 43 percent: see Hans-Werner Sinn, "Brexit, Deutschland und die Zukunft der EU," *Frankfurter Allgemeine Zeitung*, February 23, 2018.
- ²⁰ Wolf Lepenies, *Die Macht am Mittelmeer: französische Träume von einem anderen Europa* (München: Carl Hanser Verlag, 2016).
- ²¹ It did, however, prevent at the last minute the European Defense Community (EDC) negotiated in 1952 by France, West Germany, Italy, and the Benelux countries. Two years later, the French National Assembly failed to ratify the treaty, out of concerns over French national sovereignty. As a result, West Germany joined NATO and the EDC was replaced with the European Economic Community (EEC), created by the Treaty of Rome in 1957.
- ²² Michel Foucault, *The Birth of Biopolitics: Lectures at the Collège de France, 1978–79* (London: Palgrave Macmillan, 2008).
- ²³ Germans, who are probably more austere than anyone else when it comes to symbolic displays of power, to this day forgive their French friends events like military parades celebrating the German defeats in 1918 and 1945 by noting, with a smile, that you can't be angry with them as they happen to be a "*grande nation*." The joke is that the French themselves apparently never use that term. What lingers deep in the German collective memory and is only quoted with a little embarrassment is de Gaulle's speech on his first state visit to West Germany in September 1962, when at a public rally in Bonn he urged those present, in characteristic rhetorical style, to consider themselves as "sons and daughters of *eines großen—jawohl, eines großen Volkes*" (of a great, yes, a great people).
- ²⁴ Bruno Amable, *Structural Crisis and Institutional Change in Modern Capitalism: French Capitalism in Transition* (Oxford: Oxford University Press, 2017).
- ²⁵ Italian political and economic elites also considered the euro a desirable external constraint (in Italian, *vincolo esterno*) that would help them discipline their unruly citizens, in particular the trade unions.
- ²⁶ In the first round of the 2017 election, Macron received no more than 24 percent of the vote, followed by Le Pen (21.3), Fillon (a conservative centrist, 20.0), and Mélenchon (19.6).
- ²⁷ It appears questionable whether the EU could have been enlisted for this with the UK still a member. Note that Macron early in his term indicated his resolve to raise France's overall defense spending to 2 percent of GDP. The 2 percent threshold had years before been agreed to at a NATO summit meeting in 2014, as a target for all NATO members, after U.S. pressure. The increase was and

continues to be highly unpopular in Germany. In August 2017, the then-foreign minister and SPD leader, Sigmar Gabriel, declared the 2 percent target to be outright insane, blaming it on Trump, although in fact it had been adopted under Obama. In the “Merkel IV” coalition agreement, the partners committed to “the target corridor of the agreements in NATO.” There is, however, no budget allocation for this apart from a symbolic 2 billion euros for the next four years.

²⁸ Indeed, for Merkel herself, Macron’s intervention may be a face-saving way out of a self-inflicted predicament. At the EU summit on March 22–23, 2018, she no longer insisted on refugee quotas for Eastern Europe and instead accepted financial contributions for intensified border controls.

²⁹ For a detailed critique of the French proposal in the “pro-European” form of a critique of the emerging “Merkel IV” coalition agreement, see the letter of the Scientific Advisory Board of the Ministry of Economic Affairs to the acting minister of December 20, 2017, and the article of a leading member of the Board, Martin Hellwig, in *Frankfurter Allgemeine Sonntagszeitung* of March 11, 2018, titled “Viel Vages zu Europa.”

³⁰ Scholz’s response was swift and identical with Schäuble’s over the past decade: A banking union would take many years to set up, and in any case had to wait until the risks residing in the weaker national banking systems had been taken care of. Politically, the issue was the high savings rate of German households and the fear of German voters that their savings would be used to cover the liabilities of poorly regulated financial institutions in other countries.

³¹ The current budget of the EU as a whole amounts to a little more than 1 percent of members’ GDP. The treaties set an upper limit of 1.2 percent. It appears that this is what the Commission has in mind for the post-Brexit EU.

³² In the Sorbonne address, the proposal reads as follows: “If we want to reduce our differences and develop our common goods . . . , foremost among which is our currency, [they] must be financed. And we therefore need more investment, we need the means to provide stability in the face of economic shocks, as no state can tackle an economic crisis alone when it no longer controls its monetary policy. So for all these reasons, yes we need a stronger budget within Europe, at the heart of the Eurozone. . . . European taxes in the digital or environmental field could thus form a genuine European resource to fund common expenditure. And beyond that, we must discuss partly allocating at least one tax to this budget, such as corporation tax once it has been harmonized.” Obviously in anticipation of German opposition, Macron continued: “The solidarity required for a budget must be combined with increased responsibility, which starts by observing the rules we have set for ourselves and implementing essential reforms. A budget must be placed under the strong political guidance of a common minister and be subject to strict parliamentary control at the European level.”

³³ Although it would probably be bigger than what the Commission under Juncker is willing to set aside for the EMU, which seems to be a mere €300 million per year.

- ³⁴ Shortly before the EU summit meeting scheduled for March 22, 2018, it was made known that the announced presentation of a joint EU reform proposal by Macron and Merkel was canceled. The reason given was that the staff of the relevant German ministries had not had enough time for preparations as long as coalition negotiations were still going on.
- ³⁵ Perhaps also because the wording of the protocol must have alarmed the northern European member states that had in the past sided with Germany against Mediterranean attempts to turn the EMU into a “transfer union.”
- ³⁶ Cerstin Gammelinn und Nico Fried, “Olaf Scholz im Interview: ‘Politik ist keine Vorabendserie,’” *Süddeutsche Zeitung*, March 16, 2018. Scholz added that “We cannot and will not pay for all.” This was not lost on international insiders. On March 3, the *Frankfurter Allgemeine* reported that Pierre Moscovici, former French finance minister and now a member of the European Commission in charge of economic and currency affairs, had gone on notice claiming that Scholz would be exactly like Schäuble.
- ³⁷ Gatzert, who had after the election left for the board of Deutsche Bahn, will be in charge of the budget, as he was under Schäuble. A secretary of state is a civil servant of the highest rank, reporting directly to the Minister.
- ³⁸ An additional €8 billion is envisaged, hidden in the text, for helping *Länder* and local communities with providing for the 2015–16 immigrants.
- ³⁹ Although Scholz and Schulz have both repeatedly stated that Germany would pay generously. The revenue shortfall following Brexit will amount to about ten billion euros net per year, effective in 2020. Politically higher German contributions can be presented as paying for better immigration controls at the EU’s external borders, signaling to voters that the 2015 border opening won’t be repeated.
- ⁴⁰ They also insisted on EU contributions being cut rather than increased after Brexit.
- ⁴¹ Eastern European countries waver between a desire for more national autonomy and fear of being sidelined by selective intergovernmental cooperation between the big member countries.
- ⁴² One might imagine Schulz or Gabriel appearing on a supranational European list inspired by Macron in his impersonation of a Social Democrat.
- ⁴³ For a flavor of the rhetoric, an excerpt from the Sorbonne speech: “And to all the major European parties which explained to us that it would be tremendous to have a ‘*Spitzenkandidat*,’ a lead candidate, for the European Commission, making the elections more European, I say: ‘Take that reasoning to its conclusion! Don’t be afraid! Have genuine European elections! Don’t make finely-weighted calculations for your erstwhile interests! Let’s do it!’ But then you will all see, at European level, what appeared clearly in France in May: namely that what sometimes keeps you in common parties no longer exists, because your relationship with Europe is no longer the same, within the same major parties, and you no longer believe in the same things. I will not leave those major European parties a monopoly on the debate about Europe and the European elections! Because citizens must overhaul it, via the grassroots, from the bottom up, on the basis of truth.”

- ⁴⁴ Obviously following the lead of Macron, the Merkel IV government, as stated in the coalition agreement, intends “to involve the citizens through nation-wide public dialogues in the debate on European reform.”
- ⁴⁵ Another sample from the Sorbonne speech: “A few weeks after the European elections, Paris will host the Olympic Games. But it’s not just Paris that is hosting. It’s France and, with it, Europe that will keep alive the Olympic spirit born on this continent. It will be a unique time of coming together, a magnificent opportunity to celebrate European unity. In 2024, the Ode to Joy will ring out, and the European flag can proudly be flown alongside our national emblems.”
- ⁴⁶ His self-chosen nom de guerre was *il rottamatore*—the scrapper.
- ⁴⁷ Note that Berlusconi has accounts to settle with Merkel, who was instrumental in his removal from office in 2011. On her decisive telephone call to the then-Italian president, Giorgio Napolitano, see Susan Watkins, “The Political State of the Union,” *New Left Review* 90 (2014): 5–25.
- ⁴⁸ In this spirit, the new German finance minister, Scholz, immediately upon taking office appointed one of the two heads of the German branch of Goldman Sachs, Jörg Kukies, as secretary of state in charge of global financial markets. See above, note 36.