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# MERKEL'S MISSION: NAVIGATING DOMESTIC POLITICS TO SAVE EUROPE

by Anthony Silberfeld and Joshua Stanton

Today, Germany finds itself at the center of the Greek economic crisis, but it did not ask for this tremendous responsibility. A combination of its disproportionate economic heft and withering leadership in the rest of the European Union has forced Germany into a position that runs counter to its post-war, consensus-oriented European policy. But with the specter of a Grexit hanging over the Eurozone like the Sword of Damocles, the German government has filled the void in search of a solution.

While it is clear that Germany will play a decisive role in how this latest Greek tragedy unfolds, what remains unclear for most is what domestic factors will affect, and in some cases, limit the Chancellor's options on this issue. So, as the Chancellor sits down this weekend to evaluate the latest proposal from Athens, she will do so with the following factors in mind:

## 1. The Lessons of History

Germany's own past economic troubles frames Merkel's approach to the current crisis. The economic instability of the Weimar Republic, characterized by overwhelming debt and rampant inflation, is often seen as facilitating the rise of the Nazi party and the push towards eventual war. Post-war Germany's economic "miracle" was linked to policies that favored a stable currency, fiscal responsibility, and a preference for belt-tightening over economic stimuli. These policies have become the guiding principles of the modern German economy. Widespread acceptance of these principles across the German political spectrum and society allows Merkel to enjoy broad support for her firm stance towards Athens, but also limits her flexibility. To acquiesce to Greek demands for debt relief would run counter to the economic rules and discipline that have steered Germany for decades.

## 2. Domestic Politics

As the likelihood of a Grexit becomes increasingly plausible, the debate over Greece has become less about economics than about politics. Merkel has long eschewed calls for a Grexit, favoring the pursuit of a deal that keeps Greece in the Eurozone, but commits Athens to comprehensive austerity reforms. To that end, she has always been mindful of the current political landscape in Germany which, with few exceptions, has backed her approach to the crisis over the past five years.

But as Greece dithers, impatience with Athens is growing inside the ruling coalition, and calls for Greece's departure from the Eurozone are beginning to resonate. Within her CDU/CSU parliamentary

bloc, 29 members voted against extending the Greek bailout this past February, while fellow Christian Democrat and current Finance Minister Wolfgang Schäuble has openly called for Greece to be ejected from the monetary union. Even Social Democrat Party leader and coalition partner Sigmar Gabriel, who had once been more open than Merkel to providing debt relief to Greece, has recently struck a harsher tone. Following last week's referendum in which Greek voters resoundingly rejected the EU's latest bailout offer, Gabriel declared that Athens had torn down the last bridges over which Europe and Greece might have been able to move towards a compromise. With the mood in Berlin souring, the pursuit of a compromise deal with Greece risks a backlash that could splinter the German governing coalition, and have significant implications for Merkel as she aims to keep her Chancellorship in the 2017 election.

### **3. Public Support**

Beyond Berlin, public sentiment throughout Germany has significant influence on Chancellor Merkel. While sympathetic to the plight of the Greek people, Germans have, nonetheless, remained strongly in favor of Merkel's handling of the crisis and her insistence on austerity. According to a recent survey by the German polling group Forschungsgruppe Wahlen, only 24 percent of Germans favor an easing of the terms of the bailout, while 70 percent support maintaining a hard line vis-à-vis Athens. For Merkel, all politics is local, and her actions as Chancellor have long been driven by public opinion. She often adopts grassroots-driven policies as her own, rather than attempting to sway public opinion around an issue, such as the 2011 decision to phase out nuclear power throughout the country. If her track-record is predictive, Merkel is unlikely to pursue any deal that may risk undermining public support.

### **4. Merkel's Legacy**

With political and public support in question, Merkel's legacy will also be defined by her actions in this crisis. Like Gerhard Schröder and Helmut Kohl before her, she has been a staunch advocate of European integration. The Chancellor has been the driving force behind Europe's handling of the Eurozone crisis and has pushed austerity and reform measures to demonstrate the irreversibility of the Eurozone and the European project. In doing so, her stature has grown from German Chancellor to the defacto leader and powerbroker of the EU.

But as Greece now faces the real prospects of an exit from the Eurozone, the Chancellor's legacy both in Germany and in Europe is at stake. A Grexit would please many supporters at home, but may unleash a contagion effect that brings irrevocable damage to the Eurozone and tarnishes Merkel's image as a committed European. If she eases the terms of a bailout deal, she risks undermining support at home and stoking Euro-skepticism in a country that has, until now, largely avoided populist anti-EU rhetoric.

### **The Verdict: Ja or Oχι**

Europe has always been a continent defined by crisis management. From the Treaty of Westphalia to Versailles, and Yalta to the Treaty of Rome, Europeans have demonstrated a resilience and a capacity for innovative solutions of which they should be proud. Taken in that historical context, the Greek crisis is just another peak in a long cycle of continental upheaval. Rather than viewing this in perilous terms, Chancellor Merkel now has the opportunity to strengthen Europe, solidify her political grip at home and cement her legacy. The decision-making process that the Chancellor must now undertake is not a linear one. Indeed, the process will require detours to the German Bundestag, to the streets and to the annals of history. Ultimately, the outcome of this latest crisis will rest on the interplay amongst these factors and the seriousness, or lack thereof, of the final Greek proposal. This is a true test of leadership and we will soon learn if Chancellor Merkel is up to the task.

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