



Merkel's reform menu may prove too much

(Published in [*The International Herald Tribune*](#), September 12, 2005)

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Colaboraciones n° 567

September 15, 2005

Europe, and France in particular, are going nowhere down the track to revitalization without a victory by Angela Merkel in the German elections on Sunday.

That's a point of debate, but coming from another European politician of stature it's a devastatingly frank admission that goes to the heart of how much Germany's vote will bear on a future of reform and optimism in Europe.

Nicolas Sarkozy said as much in Paris last week, before the polls here began to sour on the chances of Merkel's governing with a conservative majority. Sarkozy, who casts himself as his country's truth-teller and best shot at renewal in its 2007 presidential elections - or perhaps even earlier, as a result of Jacques

Chirac's cerebral vascular incident - obviously favors Merkel.

Like him, she is a politician who has told her electorate that it cannot stop the cycle of no-growth and mass unemployment without experiencing pain, and that Europe has no unified future in casting itself in opposition to the United States. Like him, she personally represents an important break from the backgrounds and attitudes of the governing classes, left and right, of the past decades in both Germany and France.

But before Sarkozy can move in France, Merkel has to succeed in closing both the gap between German voters' abstract agreement with the principle that new solutions are required to hoist the country from

its torpor, and their real-time reluctance to accept the uncertainties of change, acting on the notion that the old, self-satisfied litanies of German prosperity no longer apply.

A bit elliptically, in answering a French reporter's question about her, Sarkozy laid out the European stakes and his own: "You can't want [to create] Europe, talk about the commonality of France and Germany, and imagine that one could be on a different rhythm of reform."

Which essentially means: Unless Angela Merkel gets a whack at trying to attempt to reform Germany, I'll have a hard time winning on that platform of change in France. If Merkel gets reform going, that mood of reconstruction will be tough to counter for Chirac or his heirs. Most of all, making Europe meaningful and competitive can't happen without Germany and France committed to basic revision of their economic and social models.

There is good reason to suppose that other European leaders well understand how much of a departure Merkel represents in recreating a vibrant Europe. A European player from a left-of-center party suggested this was indeed the case, but asking for anonymity, acknowledged that diplomatic hedging and party politics made it hard to say out loud. Tony Blair could well fit this category.

These pols see the cocoon instincts of the Germans biting Merkel twice: first, because Gerhard Schröder has skillfully generated German fears of

her proposed reforms moving jarringly beyond the status quo; second, because she's now gotten stuck with reassuring the country that, if she gets in, Milton Friedman and hordes of hypercapitalist locusts will not arrive in Berlin next week to take apart German social protections going back to Bismarck.

So the drone of business as usual in the form of a Grand Coalition of Christian Democrats and Social Democrats becomes an increasingly likely outcome of the election. It could well result from this truth: that on the delicate scale of the politically acceptable here, Merkel embodies a really different mind-set.

She represents the antithesis of the 1968 generation of West German politicians who inherently regard as shameful both capitalism and a Europe that recognizes America as an irreplaceable pillar of stability. At the same time, growing up in East Germany's totalitarianism, Merkel has no ties to her party's past years of stolid faith in Rhenish capitalism, the still-lingering economic model (state intervention plus big bank guardianship of business) overtaken by the globalization of world trade.

In a Germany historically torn between the comfort of all varieties of the status quo and the embrace of freedom, Merkel is a woman who says she welcomed from inside East Germany the strength of Ronald Reagan, still a Pavlovian alarm bell for many on both sides of the old Wall, in facing down the Soviets.

That means her message to Europe, while emphasizing the importance of strong German relations with the French, is the opposite what many of their neighbors saw as the attempt at German-French domination during the Schröder-Chirac years, and Schröder's talk, in the context of his overtures to Russia and China, of Germany's "emancipation."

"There will not ever be a strong and unified Europe that is against America," Merkel has said. "Europe must retrieve its economic dynamism or be automatically of less importance for the Americans."

"Whoever in Europe believes he can simply hold himself out [of world responsibility] while complaining about America the Superpower's lack of consideration, just sharpens this tendency. And he lessens his influence."

Same story in relation to what are, for many of Germany's neighbors, the greatest German-French failures of the Schröder years inside the European Union.

Although she would have trouble making up the lost ground, Merkel regrets her country's incapacity to meet the task-by-task economic reforms of the EU's Lisbon Agenda, once ballyhooed as its path to overtaking the United States. And she promises her Germany would come into compliance with the macroeconomic (debt and deficit) strictures of

the EU's Stability and Growth Pact that provide the basis for economic expansion: reduction of public spending levels, broadly attempted elsewhere in Europe but dodged by Germany and France.

In sum, hardly stuff that would be thought destabilizing or an unreasonable approach elsewhere, but maybe too much explicit frankness for Germany.

In fact, in an effort to be forthright and illustrate that more vitality later suggests a lick of the lash now, Merkel said she would raise the value-added tax to finance steps creating new labor market flexibility. Her choice of finance minister is a professor who likes the idea of a flat-rate income tax. But over the weekend, a poll-shaken leading Free Democratic Party official complained that these decisions by Merkel had severely damaged their allied election campaign.

The result is unlikely to be Schröder's return to office, but very possibly a confused, nebbishlike Grand Coalition government with Merkel as a hobbled chancellor.

This would be a nonverdict that exonerates Schröder's empty years, a signal for a Europe open to reform to mark time in place, and nothing like a mandate for vast change that German voters today tell pollsters they need in theory, but may not dare to endorse.