

## Germany and the loss of political trust

Although nearly four months have passed since the national election, Germany still hasn't formed a government. The Dutch, with their complicated coalition process, may find this normal, but for Germans it certainly isn't. Initially it seemed feasible that chancellor Angela Merkel's Christian Democratic Union (CDU) and its Bavarian partner Christian Social Union (CSU) could form a coalition with the Liberals (FDP) and the Greens. After these talks collapsed, German mainstream media, proclaimed that Germany's political system looks more like Greece's or Italy's. In Germany a more vitriolic insult does not exist.

Meanwhile, perversely, many Germans seem to be warming to the idea of not having an active government, only a caretaker one –the so-called grand coalition, between the CDU/CSU and the Social Democrat SPD, which they had emphatically voted out of office in September. The unexpected advantage of this is that there is less bad news. German governments in recent decades have tended to pass laws that are against the interests of their citizens and more in favour of large corporations and the nation's wealthiest 1%. So, politically, there has been no bad news for months, with one exception: in December the German government voted for the continued use of the dangerous herbicide glyphosate in the EU. The reason was simple: the German company Bayer will reap billions of euros in profits thanks to this vote, and the remuneration for German political parties and politicians who supported it will be huge. It was an opportunity that the grand coalition parties could not miss. While the SPD claims it was betrayed by its coalition partners, and was against the decision, this extraordinary "breach of trust" is not actually stopping the SPD from negotiating a new coalition with Ms Merkel. All of which has further undermined the trust of German citizens in their politicians.

Germany's political impasse has been years in the making. Why did so few people see it coming? In 2014, I was already writing articles about the inexorable decline of Ms Merkel and German hegemony in Europe<sup>1</sup> and the political crisis in Germany that lay ahead.

Ms Merkel and the German political class are the victims of their own hubris. In the 2013 elections Merkel's CDU and CSU registered their best showing in decades, coming close to an absolute majority in the Bundestag, despite an alarming increase in inequality and the fact that German wages had stagnated for over a decade. Merkel's regime has not been good for most EU citizens either. Since the Great Financial Crisis, Germany as the EU's financial powerhouse, was also able to dictate EU financial policy, as Greece, Portugal, Spain, and Ireland were to discover to their cost. This included the dismantling of democracy in the Eurozone with its policy of austerity imposed upon EU member states. The German neo-liberal juggernaut in the EU, personified by Ms Merkel and her austerity obsessed finance minister Wolfgang Schäuble, appeared unstoppable.

Having secured financial hegemony over the EU, Ms Merkel and her party turned to political domination in Europe: Making Germany Great Again predated Brexit and Trump by years. But this meant rekindling nationalistic fervour among Germany's citizenry, who had largely become accustomed to living in peace and amity with the rest of Europe. This is where things started going awry.

First there was the adventure in Ukraine. There would no longer be room for both Germany and Russia in Europe. But, mobilising domestic support did not really work. Cold War fear and hate simply did not function 25 years on. Young Germans under 35 had been socialised in a Europe that lived in harmony. Most Germans had never known Cold War hysteria and militarism or, as in the case of the East Germans, had been on the other side. Compulsory military service had been abolished in 2011. Germany was nowhere near meeting the voluntary commitment of Nato member states to spend at least 2 percent of their GDP on defence, but no-one really cared.

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<sup>1</sup> Here for example: <https://www.nakedcapitalism.com/2014/09/merkels-gotterdammerung-victory-in-ukraine-and-draghis-old-trick.html> /// <https://www.nakedcapitalism.com/2015/02/greece-dead-man-walking-2.html> /// <https://www.nakedcapitalism.com/2015/11/mathew-d-rose-the-ordeal-of-angela-merkel.html> /// <https://www.nakedcapitalism.com/2016/03/mathew-d-rose-chancellor-merkel-victrix.html>

Simultaneously Merkel's CDU und CSU played the xenophobia card. It accused EU citizens from the East, mainly Romanians, of moving to Germany to misuse the social security system. This included proposals to force foreigners to speak German at home. Such re-born nationalism also opened the door for a new political party, Alternative for Germany (AfD), an ultra-right anti-EU and anti-Euro party.

As the situation in Ukraine rapidly deteriorated, Germans were asking themselves how Ms Merkel and her government had got involved in such a mess. Corrupt Ukrainian oligarchs were being replaced by others equally corrupt. Germans were wondering why Ukraine needed to join the EU when purportedly East Europeans were already gaming Germany's welfare system and depressing German wages.

Fortunately for Ms Merkel and her coalition a distraction was in the making: the Greek elections of January 2015. The radical left party, Syriza, was challenging Germany's financial hegemony in Europe by demanding a renegotiation of the onerous debt that Germany and France had imposed upon it - to rescue French and German banks that had recklessly purchased vast quantities of Greek bonds. This would have meant that the guarantees that Germany had given for the "Greek bailout" would have been partially lost, although Ms Merkel's government had promised its countrymen that there was no risk.

Even before the Greek election Merkel's Union and German media initiated a campaign of hysteria mobilising public sentiment against a potential Syriza government, claiming that Syriza was blackmailing Germany with a default.

German finance minister Schäuble was apparently already obsessed with throwing Greece out of the Eurozone, according to former US Treasury Secretary Timothy Geithner in his book "Stress Test". But Ms Merkel, fearing the break-up of the Eurozone, which is indispensable for the German economy, limited the response to a campaign of financial shock and awe.

Most Germans, especially the media, were jubilant that the spendthrift, lazy, corrupt Greeks – and especially their finance minister Yanis Varoufakis (this film<sup>2</sup> may be a

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<sup>2</sup> <https://www.youtube.com/watch?v=Afl9WFGJE0M>

parody, but it captures the hysteria of the time) - had been put in their place. The conflict with Greece was a display of how acceptable open racism had become in Germany. A Pandora's Box had been opened and it does not appear to be closing anytime soon. Internationally Germany was seen in a new light as an intractable bully, pushing millions of Greeks into abject poverty to protect its interests.

That led to Ms Merkel's next mistake. There has been much speculation about why she suddenly permitted a million refugees to enter Germany. She was not noted for her compassion, so what was Ms Merkel's reason for making one of her few positive decisions as chancellor? Certainly, her country's and her own reputation had suffered because of their brutal handling of the Greek crisis. The refugees offered an opportunity to change the perception of the "ugly German".

Furthermore, the German government, under pressure from its coalition partner, the SPD, had introduced the minimum wage at the beginning of 2015. Although this was one of the lowest in the EU and full of loopholes, Germany's business sector – the power behind Merkel's CDU - were irate and sought ways to get it scrapped. It is interesting to note that as the refugees arrived in Germany there were calls to waive the minimum wage to allow them to integrate better.

Furthermore, in Germany's corridors of power there was the belief this would earn Ms Merkel the Nobel Peace Prize, crowning her political career. She almost did.

But her initiative was not well received by many Germans, because of the shortage of cheap housing and decently paid jobs, the lack of investment in German infrastructure and education, not to mention a constant reduction in social benefits thanks to Mr Schäuble's iron-fisted austerity. The only German politician who recognised that there was a crisis in the making was the SPD leader at the time, Sigmar Gabriel, who, as the refugees arrived, demanded that the government take care of its own citizens in need as well. That laid him open to attack by Mr Schäuble for threatening to throw his balanced budget out of kilter.

As domestic political pressure increased - the AfD was climbing in the polls - Ms Merkel tried to force other EU nations to accommodate refugees. Embarrassingly, many were non-committal, others flatly refused. This led to Ms Merkel's next error: kowtowing to

Turkey's nascent dictator Recep Tayyip Erdogan. Not only did she agree to give him billions of euros to prevent refugees from entering the EU, but she appeared repeatedly at his side for photo-shoots – adding legitimacy to his increasingly dictatorial regime at home. Mr Erdogan has in return publicly insulted her and had German citizens locked up on trumped up charges – an unheard affront for the Germans.

Then there was Brexit. As with Greece, Ms Merkel's arrogance caused her to botch last-minute negotiations with British prime minister David Cameron in February 2016, something Brexit pundits politely ignore. Apparently she and her advisors could not imagine why any sensible nation would want to leave an EU run by Germany. Then there are the Visegrad nations, Poland, Hungary, Slovakia and the Czech Republic, some of which are openly defying Germany. Romania and Bulgaria, without tangible interference from the EU, maintain unabated their corrupt political regimes. In exchange their discontented and impoverished citizens migrate to West-European nations as cheap labour while sending remittances home to fuel the domestic oligarchy.

Ms Merkel's reputation as "Climate Chancellor" is also in tatters. First there was the diesel scandal, which her government covered up for years and is still refusing to prosecute. Now the world has discovered that Germany will fail to reach its promised CO<sub>2</sub> goals because of an energy policy that favours coal and lignite power plants.

How things have changed since Ms Merkel and her party set out to make Germany great again.

This is not what a safe pair of hands or a strong and stable government looks like. That most Germans are of the same opinion became clear after the 2017 Bundestag election. The coalition partners, the CDU, CSU and SPD, had their worst results in half a century. Martin Schulz, who led the SPD to disaster, declared that the German people had voted against the grand coalition and promised the SPD would not continue a Merkel-led coalition.

The only other feasible coalition was one between the CDU/CSU, the FDP, and the Greens. This seemed straightforward enough. The three centre-right parties often have difficulty distinguishing their policies from each other. At the outset they agreed to

continue Mr Schäuble's policy of austerity and inequality. It seemed that all that was left to do was to divide the political spoils.

This time however something very odd occurred. The ultra-right AfD, which for the first time won seats in the Bundestag, has with some success portrayed the German political class as corrupt and without principles. It is also what many Germans think. Ms Merkel's two potential coalition partners were wary of appearing to fit this description. They knew they had to create a special aura of credibility if they entered a coalition with Ms Merkel's Union or they would be mercilessly punished by voters at the next election.

The Greens, after having betrayed almost all their policies to join the Social Democrats in a neo-liberal coalition in 1998, started making real demands. The most controversial was to permit Syrian refugees to have their families join them in Germany. Ms Merkel, the Union, and the SPD have been madly back-peddling with regard to their Welcome Culture of a few years ago. Now the Greens had put Ms Merkel and the Union on the same side of the fence as the ultra-right AfD. The ratings of the Greens increased markedly in the polls.

It was however the FDP who terminated the coalition negotiations. This had little to do with the negotiations themselves and a lot to do with the Austrian election a few days before, in which the right-wing populist and national-conservative Liberal Party (ÖVP) had been very successful. The German FDP has been following a clever course, appearing to be a centre right party with a liberal tradition. But, for those willing to read between the lines, it has moved ever closer to the AfD, trying to win over voters who support AfD policies but are not comfortable with the neo-Nazi polemic of many AfD politicians. Should new elections be called, the FDP would take a bold step in the direction of the Austrian Liberal's national-conservatism in the hope of being equally successful.

A minority government is hardly an alternative. The CDU/CSU would be entitled to all the political spoils: thousands of well-paid government jobs and largesse with taxpayers' money for their supporters. The other parties would go empty-handed. On the other hand, not only would Ms Merkel need to organise a majority for every vote, but the lobbyists as well. They would not only have to purchase the support of the parties in government, but the others as well. That would require a lot more money and personnel.

The only alternative is exactly what the SPD's Martin Schulz had ruled out: the resurrection of the grand coalition under Ms Merkel. A veteran EU-politician, Mr Schulz had no difficulty breaking his promise, confirming what the AfD has been saying all along. Mr Schulz is being supported by the right wing of his party, which includes most of its leading figures, eager to keep their well remunerated government jobs. Those in the left of the party are strongly opposed, knowing that this could well be the end of the Social Democrats in Germany, as has occurred elsewhere in Europe.

One would expect that the Merkel's Union would have to make considerable compromises to entice the SPD into a coalition. They know however that the SPD's decision-makers do not care if they are credible - they never were. No matter if this is the last time the Social Democrats are in government. They can use the next four years to secure themselves a lucrative future in the private sector.

Merkel's greatest threat comes from her own party and the CSU. A number of members have always considered her "too left". They are assuming that should talks with the Social Democrats fail and fresh elections be called, Merkel would step down. Thus they may sabotage the talks.

And Ms Merkel? History will probably be kind and remember her for inviting one million refugees into Germany – and forget the rest.