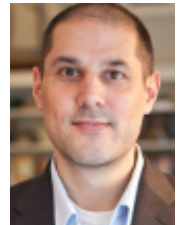


The return of the German question: why conflict between creditor and debtor states is now the defining feature of European politics

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One of the key geopolitical issues in Europe prior to the Second World War was how the power of Germany could be effectively balanced by other European states. [Hans Kundnani](#) assesses the relevance of these historical debates to the current situation within Europe in the aftermath of the Eurozone crisis. He argues that while Germany is no longer a threat from a military perspective, its economic power has put intolerable pressures on other members of the Eurozone, generating instability in much the same way as its previous military power once did. This instability is now centred around the standoff between creditor and debtor countries, underlined by the victory of Syriza in the Greek parliamentary elections, and potential future electoral success for parties such as Podemos in Spain.



During the five years since the euro crisis began, there has been much debate about German power in Europe. In 1953 Thomas Mann famously called for a “European Germany” rather than a “German Europe”, but it has now become commonplace to [speak](#) of a German Europe emerging from the crisis. There has been much debate about actual or potential German “hegemony”. Some serious analysts such as [George Soros](#) and [Martin Wolf](#) have even perceived the emergence of a kind of German “empire” within Europe – a term that is even stronger than “hegemony”, which implies at least a degree of consent.

Obviously, questions about German power in Europe have a long history. Implicit in the current debate about a new “German question” is the idea that history has in some way returned to Europe and in particular that Germany has in some respects regressed or reverted to a role comparable to the problematic one it had between 1871 and 1945. Even [Anthony Giddens](#) has written: “Germany seems to have achieved by pacific means what it was unable to bring about through military conquest – the domination of Europe.” My book, [The Paradox of German Power](#), is an attempt to explore whether Germany’s pre-1945 history is relevant to the current situation in Europe – and if so, how.

The return of the German question

After unification in 1871, Germany was too powerful for any of the other great powers of the time to challenge, but not powerful enough to defeat a coalition of two or more of them. This was the essence of the “German question”. The German historian Ludwig Dehio later described Germany’s position in Europe during this period as one of “semi-hegemony” rather than hegemony. This structural problem encouraged other European states to form coalitions to balance against German power. That in turn created fear in Germany – the so-called *cauchemar des coalitions*, or nightmare of coalitions. Thus began what the historian Hans-Peter Schwarz has [called](#) a “dialectic of encirclement”, which culminated in World War I.

I argue that the “German question” – which Europe seemed to put behind it – has now re-emerged in “geo-economic” form. Whereas in the past Germany had faced potential enemies on all sides, it is now surrounded on all sides by NATO allies and European Union partners – in other words, in geopolitical terms, Germany is benign. But Germany’s persistent current account surplus puts intolerable pressures on other countries in the Eurozone and in particular on the countries of the “periphery”. The size of Germany’s economy, and the interdependence between it and those around it, is now creating instability within Europe as its military power once did.

Credit: [Esther Lee](#) (CC-BY-SA-3.0)

At the same time, however, Germany remains too fragile to take on the burdens of hegemony, whether through fiscal transfers or a mutualisation of European debt or moderate inflation. In short, although Germany's increased power and France's relative weakness have allowed Germany to impose its preferences on others in the Eurozone, it is too small to be a European hegemon, as some see it or urge it to become. This in-between position is strikingly similar to that of Germany within Europe between 1871 and 1945. In other words, Germany seems to have returned to the position of "semi-hegemony" that Ludwig Dehio described – except in geo-economic form.



What this may mean in concrete terms is a geo-economic version of the conflicts within Europe that followed German unification – in particular, something analogous to the kind of competitive dynamic of coalition formation among great powers that existed in Europe before 1945. Since the crisis began, member states have adopted a mixture of bandwagoning and balancing in relation to Germany: some (especially those in central Europe whose economies are now deeply integrated with Germany's) are beginning to form a kind of geo-economic equivalent of a sphere of influence; others (especially those of the so-called periphery) have found themselves under increased pressure to form what George Soros has called a "common front" against Germany.

This in turn seems to be leading to a geo-economic version of the old German fear of encirclement: Germany now fears the emergence of a coalition of weak economies rather than strong armies. This fear of an anti-German coalition has increased since the European Council meeting in June 2012, when Chancellor Angela Merkel succumbed to pressure from France, Italy and Spain and agreed to enable the European Stability Mechanism, the Eurozone bailout fund, to directly recapitalise banks in crisis countries. Shortly afterwards, European Central Bank (ECB) President Mario Draghi promised to do "whatever it takes" to save the euro and announced Outright Monetary Transactions (OMT).

In much of Europe, this initiative was seen as a breakthrough that finally broke the feedback loop between bad banks and sovereign debt and thus saved the euro. But in Germany it was seen as a defeat – "the night Merkel lost". This zero-sum dynamic within the Eurozone has continued since I finished writing the book. Most recently, the "periphery" breathed a sigh of relief when a legal opinion by a European Court of Justice adviser seemed to clear the way not just for OMT, but for the much-anticipated programme of quantitative easing announced by the ECB on 22 January. But there is much opposition in Germany to such measures – to Holger Stelzner, one of the publishers of the *Frankfurter Allgemeine Zeitung*, the ruling was a "blank cheque" for the crisis countries.

Moreover, although ECB action has kept the euro together, it is not enough on its own to create growth or to bring down the extraordinarily high levels of unemployment in Eurozone countries such as Greece and Spain. As a result, frustrated with the failure of centre-right and centre-left parties, voters are increasingly turning to radical left-wing and right-wing parties. After the general election on 25 January, Syriza is now in a position to form a government in Greece. Podemos could find itself in a similar position in Spain later this year. The most alarming development, however, is the rise of the Front National in France.

It is hard to see how the leaders of France, Italy and Greece can create growth and jobs without a big shift in Eurozone economic policy. But it is also increasingly hard to see how they can force such a shift unless they join forces and take a more confrontational approach to Germany – as many are now urging them to. Thus the geopolitical dilemmas that Europe struggled with for centuries seem to have returned in geo-economic form, centred

this time on the conflict between the interests of creditor and debtor countries locked into a single currency. What is unclear is how much conflict within Europe will be needed to resolve this dynamic.

Hans Kundnani will be speaking on this topic at an LSE event tonight (26 January) from 6.30-8PM. For more details see [here](#).

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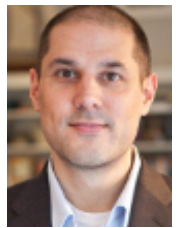
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About the author

Hans Kundnani – *European Council on Foreign Relations / Birmingham University*

Hans Kundnani is Research Director at the European Council on Foreign Relations, and an Associate Fellow at Birmingham University. He tweets [@hanskundnani](#)



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