# The lack of any effective opposition to the new German government should be a concern for the rest of the Eurozone



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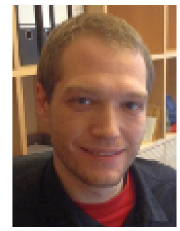
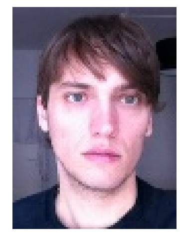
*Following the CDU/CSU and the SPD reaching a coalition agreement, and the ratification of this agreement by SPD members in December, Germany has finally formed its next government.* **Steffen Stierle** *and* **Christoph Mayer** *write on what 2014 might hold in store for the rest of the Eurozone now that the new government is in place. They argue that the agreement offers very little cause for optimism among those who support a change of direction in Germany's European policy. Moreover, the fact that the coalition holds a huge majority of seats will make any effective opposition within the German Parliament extremely difficult.*





As several surveys show, the popularity of Germany in most Eurozone countries has decreased dramatically during recent years. This development can be, if not explained, at least justified by the way in which Germany, together with EU institutions, has responded to the Great Recession inside the Eurozone: austerity policies and authoritarian transfers of power to the supra-national level.

Measures like the ESM (European Stability Mechanism), the Troika-led Memoranda of Understanding, or the Fiscal Compact are deepening the economic crisis by causing massive downward economic spirals. Unemployment levels have soared; labour rights and social security systems are being destroyed; mass-poverty, mass-homelessness, collapsing healthcare-systems, decreasing life expectancy and even hunger have returned to Europe. This can justifiably be seen by the European public as a result of German EU-policies.

Reichstag building, Berlin (Credit: oh-berlin.com, CC-BY-SA-3.0)

A majority of Eurozone countries are currently governed by neoliberal political elites who favour anti-democratic and anti-social responses to the crisis. It was a consensual decision of the European Council to rescue banks with taxpayers' money, which is de facto a way of making the people pay for the economic crisis. Without cooperating elites in the governments of Greece, Portugal, Spain and Ireland it would not have been possible to push austerity reforms through at the EU level.

Despite this collaboration, however, it still makes sense to see the German government as the engine behind this political line. Germany is the strongest economy in Europe. Since the implementation of the euro, it follows an aggressive foreign trade policy, based on low wages, labour market-liberalisation and tax-reforms for the benefit of corporations. Using the crisis as a window of opportunity, the German government has started to sell this economic model, in its more radical version, as a success story to its EU partners in order to make it the model for Europe as a whole. The European Council, with Germany as its leading member, is currently about to enhance a neoliberal, authoritarian transformation of the EU.

At this point it is important to mention that it was not only the former German conservative-liberal government which put pressure for radical austerity reforms throughout Europe. In this respect there has always been a consensus within the German political elite. Let us not forget that the German Social Democrats (SPD) and the Greens always voted in favor of the former government's EU-policy initiatives during the period between 2009 and 2013.

As the 2013 elections came closer, however, SPD leaders made a turn. They spoke as little as possible about the Eurozone crisis. When silence was not an option, they adopted a progressive counter-position to the government, criticising the destruction of welfare systems, calling for a common liability for public debt (Eurobonds) and favouring investment in growth and jobs all over Europe. Furthermore, they talked in favour of making banks pay for the crisis, they talked about the need to strictly regulate financial markets and to push through a European wide minimum wage which would put an end to the "working poor" once and for all.

This turn led many people across Europe to follow the German elections very closely, hoping for a political shift in the "heart of neoliberal Europe". What followed was, instead, a disappointment. We now know that a political shift will not come. Conservatives and social democrats have agreed on a coalition agreement which is completely in line with the EU-policy agenda of the former German government. The two parties have agreed that ESM-loans have to be coupled with strong conditionality and that budget discipline and structural reforms are further necessary.

This means that the new German government will continue its pressure on downsizing EU countries' public sectors and welfare systems and on weakening labour rights in the Eurozone. The coalition agreement clearly states that a common debt-liability will not be introduced because it would weaken the pressure (imposed by high interest rates) on "periphery countries" to implement the reforms that they – the new coalition parties – deem necessary.

Neither public investment in jobs and growth nor serious financial market regulations are part of the coalition agreement. The only exception to this is the negotiators' agreement on a financial transaction tax (FTT) but this is also a disappointment. The SPD had already extracted from the previous government the establishment of a financial transaction tax as a concession in exchange for the Social Democrats' parliamentary vote in favour of the Fiscal Compact. Now the SPD leaders are highlighting the same concession once more, as if it were something new, and knowing that a serious FTT is unlikely to be adopted at the EU level because of the resistance of the UK, Sweden and others.

A serious minimum wage is not to be expected in Germany. The core demand of the Social Democrats during the election campaign was the establishment of a minimum wage without exceptions so that it would push upwards the poverty line. In the coalition agreement the SPD leaders have accepted a weak version of their original position. On the one hand, the minimum wage will be lower than what they wanted and it will not start immediately, but only in 2017. On the other hand, the text leaves the proposal very open to exceptions which could eventually undermine the whole project. This means that Germany will go on with its low wage-based export strategy, which is one of the most important reasons behind the crisis, since it has caused economic imbalances and budget pressure on the less competitive countries of the Eurozone.

We fear that the new German government will not only keep up with the agenda of the former government, but will also radicalise it, having in mind that there is no effective parliamentary opposition. A large majority of the members of parliament (80 per cent) belong to the coalition parties. This leaves the opposition with no power to intervene. The coalition parties are currently blocking all the initiatives that the opposition has taken with the objective of strengthening the opportunities to exercise minority rights in parliament. For instance, calling the Court of Justice to examine a new law requires the favourable vote of 25 per cent of deputies. The opposition has demanded to lower this threshold below 25 per cent, but the initiative has been rejected. The result will be less effective democratic control over governmental policies.

The vote by SPD members on the coalition agreement has given it a high degree of legitimacy and stability. However, the SPD leaders were not risking much with this move because the most critical members of the SPD had already abandoned the party by the time of the vote. Thus, it comes as no surprise that the remaining rank-and-file members approved the coalition agreement. Nevertheless it is important to highlight that more than 100,000 members did not participate in the vote and that, therefore, only 55 per cent of the SPD membership voted in favour of it.

Taken together, current political developments in Germany are bad news for the majority of people in the Eurozone and the EU. A serious political shift at the EU or Eurozone level is not to be expected. Such a shift cannot be pushed through against Berlin. This is especially true given that the German government has the neoliberal EU-law (treaties of Maastricht and Lisbon, etc.) on its side. Current political developments in Germany make once more clear that a political shift can only happen against the current design of EU institutions and European integration.

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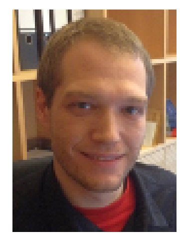

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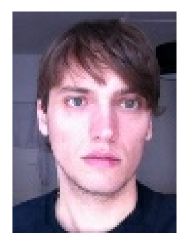

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