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# Behind the Euro Crisis: Germany Gambles on the Old Dream of European Hegemony

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German industrial and financial power is the key to understanding the complex and often confusing international manoeuvres around the Crisis of the Euro. Germany is Europe's industrial powerhouse, the only country that has survived the Great Recession with a healthy economic, low unemployment, social stability and a favorable balance of trade. The stability of the European currency is essential to a continuation of this favorable economic situation, if this means extending more credit to failing economies like Greece, Italy and others down the line, as Chancellor Merkel told her own fiscally conservative party in no uncertain terms on Nov. 15. Only within the solid framework of a strong European Union can Germany, Europe's principle creditor nation, every hope to collect on her European loans and investments.

For Germany (and her American ally) the Euro-zone is 'too big to fail.' And since the European Union lacks a mechanism like the U.S. Federal Reserve Bank, only Germany is in a position to underwrite the necessary major bailout. This is a financial gamble of historic proportions, and it comes at a political price : German hegemony in Europe.

### **Bismarck Makes Germany a Great Power**

Paul Kennedy's classic *The Rise and Fall of the Great Powers* (1987) classifies Germany as the hegemonic (or would-be hegemonic) military-industrial power in Europe from the year 1870. That was when Bismarck, the 'Blood and Iron' Chancellor of Prussia, tricked the French Emperor Napoleon III into hastily starting a war that Prussia had long been preparing for. After a stunning defeat (Napoleon was taken prisoner when the Prussians surrounded the main French army), Bismarck crowned his somewhat reluctant feudal sovereign as Kaiser Wilhelm I, ruling a vastly expanded, united German Reich (including two captured French provinces and most of the Southern German-speaking states) from his own capital, Berlin.

By the end of the 19th Century, efficient, scientifically-organized German industry was challenging Britain's outdated industrial plant for economic supremacy. Meanwhile, Prussian militarism, supported by this industrial and financial expansion, prepared for future political hegemony and territorial expansion. During the 20th Century, two drawn-out mechanized World Wars were required to prevent the German Reich from transforming her industrial and financial power into imperial domination of the Continent. The main factors that prevented capitalist Germany's 'natural' ascendancy to European hegemony were military : 1) Geography. Situated in the center of Europe between the vast Russian Empire and her ally the French Republic (still a major military power), Germany was obliged to fight on at least two fronts in both 1914 and 1940, as well as at sea against the formidable British Navy. 2) the rise of a new, and vastly richer military-industrial power, the United States, allied with France and

Britain,

## Defeated, Divided and Demilitarized, Germany Rebounds

In 1945, the demilitarization and division into East and West of post WWII Germany was designed to prevent yet another attempt at hegemony, but by 1960 (the year I bought my first VW !) West Germany's industrial plant had risen from the ruins, modernized and become competitive with U.S. industry. Moreover, demilitarization freed up huge amounts of German capital, whereas Germany's conquerors, the U.S. and the USSR, were draining their economies in a costly arms race. Moreover, West Germany found an unlikely support from ex-enemy de Gaulle of France, who forged a close alliance with Chancellor Adenauer while carrying out his independent, anti-US foreign policy, during the Cold War. By the 1970's, W. German leader Willi Brandt dared to break the ice of the Cold War with his independent Ostpolitik, opening up lucrative German trade with her Warsaw Pact neighbors. Today, Germany and Russia are staunch allies and trading partners to the point where Immanuel Wallerstein talks of a 'Paris-Berlin-Moscow Axis.'

## United Germany's Great Gamble

When the Soviet Empire collapsed and the two Germany's were reunited in 1990, far-seeing West German capital took the risk of investing huge amounts in integrating and modernizing the impoverished East. The West German investors' bet paid off "so successfully that a former East German, Angela Merkel, is now ruling a populous, rich, and powerful united Germany, where she presides over the Berlin Chancellery established at by Bismarck back in 1871.

Chancellor Merkel, like Bismarck a Conservative, has dragged her centrist coalition, uniting all factions of German capitalism, into another daring bet. The terms ? Bail out the Euro zone and end up owning it : achieve hegemonic power, without militarism. Using diplomacy and 'soft' power, the Chancellor will now collect that debts of the Greeks and Italians owe the Frankfurt bankers as effectively as the U.S. Marines collected the Central American debts for the N.Y. bankers a century ago. Only, instead of sending gunboats, Merkel has used canny diplomacy and financial clout to engineer the fall of Papandreou and Berlusconi, Europe's two most long-serving and popular Prime Ministers. (Papandreou was brave enough to call her bluff and announce a popular referendum on the Euro at the Nice summit, but then he shamefacedly backed down). That crafty manipulator Bismarck (who after 1870 actually preferred diplomacy to war) would have been proud of his disciple.

## Two Bloodless Beheadings

The deposed Greek and Italian heads of government have now been

replaced by 'technocrats' subservient to the German-dominated European Union Central Bank. The Chancellor has just dispatched teams of German bankers to 'advise' them, much as U.S. Embassy staff 'advised' the Mexicans and Nicaraguans : pay up or else ! The advisors are there to make sure that the technocratic puppet regimes carry out the most stringent austerity measures and force the Greek and Italian working people to pay the debts previously contracted by their own bankers and rulers. This may not prove to be easy.

Meanwhile, the future implications of Merkel's historic 'beheading' of two European heads of state may be as far reaching in their own way as the double beheading in Tunisia and Egypt. To begin with, Germany's de facto imposition of these super-national 'receivership' regimes means an end to democracy and national sovereignty for Greece and Italy. Ancient Europe's two historical Great Powers, the fountains of European civilization, the cradles of democracy and of the rule of law, are henceforth vassal states under the regency of German and North European banking capital.

From an international perspective, Merkel's diplomacy and soft power have succeeded in dominating two countries where Hitler's hoards came a cropper. As for Germany's once-vulnerable Eastern front, Wallerstein's Paris-Berlin-Moscow Axis has literally been sealed in concrete with the recent inauguration of the Nordstream pipeline, which will provide Germany with an endless supply of cheap Russian gas and a bottomless market for Mercedes and VWs. And this time around, the U.S., whose precarious finances also depend on the stability of the Euro, will have to support Germany, even if this means reinforcing a rival German-dominated European economy more powerful and productive than the declining American economy. Merkel's Bismarckian diplomacy has thus succeeded in removing the three principal historical obstacles to German economic-military hegemony : 1) the geographical necessity for a Central European Power to fight a two-front war ; 2) the unmatched military and economic power of the United States ; 3) inadequate access to modern petroleum-based fuels.

### **New Possibilities for Struggle ?**

From the perspective of the European class struggle, this new situation creates new possibilities. For over a year now, the Greek youth and working classes have been striking and rioting against being forced to 'pay for their crisis', and now the Italians, with a long history of self-organization, will be called upon to defend their interests as well. These inevitable struggles will take place in the revolutionary atmosphere initiated in the Arab Spring and now gone global with the 'Occupy Wall St.' movement of the 99% -ers. No more illusions about capitalism's 'trickle-down' effect. Moreover, the new technocratic rulers of Greece and Italy and their bean-counting German advisors will be hard put to cope politically with rebellious populations who will see themselves as debt-slaves to the creditor

German banks. It would take a showman like Berlusconi or a populist 'Socialist' like Papandreou to continue to bamboozle the masses into acquiescence, and now they are gone.

In this new situation in Greece and Italy, one can expect both a rise of national resentments and splits in the national bourgeoisie between 'Europeans' and local business interests (tourism, export industries) who may support the working classes, perhaps demanding exit from the Euro so as to devalue their currencies and become competitive again. If national resentment doesn't turn into Chavinism and if the bourgeois allies fail to dominate the popular front with the 99%, these developments may open up new prospects for struggle. The key factor will be internationalism. Only if the Greek and Italian working classes are able to unite (and draw in the Spanish, Irish and other European workers) will they escape from debt-slavery to the German-dominated European banks.

Up to now, the European labor unions and the Left parties (Communists and Socialists) have succeeded in confining class conflicts within their national borders, while limiting resistance to ritual one-day 'general strikes,' and channeling discontent into local and national elections. (Of course elections are now superfluous under appointed receivership governments responsible to a European super-government). Nonetheless, the entrenched, class-collaborationist national labor unions and 'Left' parties – although rejected wholesale by Greek youth and the Spanish *indignados* – still have a powerful influence in Italy and France. If more spontaneous, self-organized, horizontal movements like the Arab Spring, the *indignados*, and the international 'Occupy Everything' movement spread into Old Europe (including Germany), the straightjacket hold of the official Left on European social movements may be broken, releasing new energies and the creation of international solidarity among the 99%.

This solidarity will be needed when the next financial bubble bursts – as it inevitably will – and turns the Great Recession (from which only the 1% have 'recovered') into a globalized Second Great Depression.