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European Union

Is Merkel Being Irrational?

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German elites are willing to let the euro crash to guarantee their own political survival. After the Eurogroup agreement in February, Germany's position concerning the conditions Greece must meet seemed to have relaxed. The initial conditions were basically identical to those agreed to with the preceding Greek government: pension reductions, privatizations, tax increases on basic goods, and continued liberalization of the labor market.

However, during the negotiations, Germany appeared to have backed down on these stipulations and accepted a better (if not perfect) deal for Greece, in which pensions would not be cut, the minimum wage would be allowed to increase, privatizations would be re-evaluated, and there would apparently be no tax hike – leaving other measures (like the structure of the labor market) untouched and as matter of national decision and sovereignty.

However, now that June (the month in which the Eurogroup agreement expires and a new bailout plan must be reached) is dangerously close, German Chancellor Angela Merkel has suddenly changed her attitude. The four pillars of the agreement with the former Greek government are to be kept, without German concessions. No more time and no more money.

Well aware that the Greek state is running out of money – and that the debt, exacerbated by austerity, is unpayable – Germany is again forcing the Greek government to choose between accepting the continuation of austerity or going into bankruptcy.

The architecture of the eurozone favors Germany by positioning it – primarily via the introduction of the euro, which devaluated the Deutsche Mark in comparison to all other national currencies – to export cheap manufactured goods to the core periphery economies. Seen in this light, the German government's intransigent position toward Greece, and seeming equanimity in relation to a possible Greek exit (Grexit) from the eurozone and collapse of the monetary union as we know, seems quite illogical. But is it really?

In fact, there is no irrationality in Germany's position. Its inflexible stance is the only one that can save German political elites and induce a collapse of the only anti-austerity government that has had the courage to try to shift the pillars upon which the European project has been built.

Since the beginning of the crisis, Germany's position has been one of defending austerity as the only way out of it. This meant "sacrifices" for everyone in Europe: not only for the southern European populations with neoliberal bombs dropping in their backyards, but also for the German working class, which has witnessed a strong deregulation of the labor market, precarization of labor relations, and a loss of purchasing power.

The ideological story sold to the German working class was that the European project would collapse if they bailed out southern Europeans, whose plight was self-inflicted through over-spending and poor productivity. However, it soon became obvious that austerity does not solve any economic and financial problems – it deepens them (debt has grown in relation to GDP in all countries that have tried the austerity remedy).

When Syriza came to power in Greece, there was finally one voice inside the European institutions that could prove this fact and eventually challenge the hyper-neoliberalization of Europe.

But for Germany to accept Syriza's demands would be to acknowledge that austerity was not a solution but a

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problem” that Germany’s political and economic agenda over the last seven years was wrong and has completely failed to provide the results it promised. More than this, it would be a concession that the sacrifices imposed on the German working class were actually in vain, and only served to further tilt the balance of power away from labor and toward capital.

German elites are thus willing to let the euro crash (or transform it into something else” an exclusively center and northern European currency, for example) to guarantee their political survival.

There is also nothing irrational about the way they are playing the “blame game.” If Germany forces Greece into bankruptcy (which is bound to happen sooner or later), this would create a domino effect that destabilized the European economy for a period of time. The blame would then be placed on the “stubborn” Greek government that refused to negotiate and to accept the “help” and “aid” that Germany was willing to give them.

In addition, political tension in Europe is polarizing. The past several years have seen the simultaneous rise of far-right parties and movements” Golden Dawn in Greece, the National Front in France, Pegida in Germany” and anti-austerity, left-wing formations.

Accepting that a left-wing government is correct and that austerity was never a solution would open additional political space for left-wing movements across Europe. Taking even a small step back from the pro-austerity narrative would forever weaken the political position of German political elites. It might even their sacrifice their existence as such.

Moreover, it is important to remember that Germany has already been expanding their trade partnerships for some years (probably in preparation for the political situation that is now starting to happen in the eurozone), especially with China. Even if Germany’s economy would suffer from a Grexit and the effective end of the economic and monetary union, they have already been building the foundations for an economic recovery in the medium term.

But there is a second layer to the intransigence of the German government: they know that the danger of bankruptcy and the inability of a left-wing government to fulfill their electoral program would likely bring down that government, as well as destroy any other possible left solutions throughout Europe.

Forcing the Greek government to step on the red lines they have imposed in the negotiations (pensions, wages, taxes, privatizations, liberalization of the labor market) in order to avoid an economic collapse will engender strong discontent and opposition inside Greece and Syriza itself. Germany’s tactic is, in this sense, to try to demolish a left solution from within.

If there is a way out of this, it will only come through popular struggle. Nothing else can enable Syriza to carry out their electoral program and end the humanitarian crisis still plaguing Greece. Any path the government takes, must answer to the demands for democracy, dignity, and justice that the Greek people have voted for. For their future and their sake. And for the sake of all of us.

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