

## What next, after Tsipras dashed Schäuble's hopes for a Grexit ?

*By Frank Hoffer*

A Greek government forced to bow to the impossible, a referendum brushed aside, the Franco-German partnership damaged, European compromise diplomacy replaced by ultimatums, the euro in limbo, large parts of Europe swept by anti-German fear and resentment and another €83bn sunk into a doomed "rescue package". Not quite how successful policies are supposed to play out.

The worst thing about German policy is not that it is harsh and uncompromising towards the "reform-shy" Greeks, but that it is wrongheaded. Instead of sustainable debt restructuring and support for real investment in order to gain the time and acceptance needed for difficult and sometimes lengthy structural reforms, the Greeks have once again been prescribed more of the same: keep cutting till you collapse. Pursuing this failed policy with Swabian thoroughness and Prussian rigour has made Wolfgang Schäuble a popular figure at home and an unloved German martinet abroad. In Europe, this policy has done much to destroy confidence in, and respect for, Germany.

Admittedly, things could have been even worse! Just imagine that Alexis Tsipras had actually made the populist gesture of rejecting the Brussels ultimatum and the German finance minister had got his "Grexit". Greece would have imploded and might have become ungovernable, and the euro as a unified currency would have been history. Financial market speculation would have set its sights on other European crisis countries and Germany would have been responsible for reversing the European integration process. Thank Tsipras for accepting utter humiliation rather than triggering a disaster.

His understanding approach has given Europe what may be its last window of opportunity to change course. But there is scant hope that the victors of Brussels will show the courage and agility needed to finally deal with the basic flaws in the eurozone's construction. That would require a comprehensive regional infrastructure

policy, compensatory payments for the locational disadvantages suffered by the peripheral Member States, jointly financed real investment, but also a recognition that past mistakes must not, in the long run, be allowed to block the future.

### **More austerity is unworkable under democratic conditions**

The Greek population has made great sacrifices over the past five years in order to compensate for the serious political and economic errors of recent decades. However, the unprecedented income cutbacks have neither solved the debt crisis nor improved the investment climate. State bankruptcy dangles overhead like the sword of Damocles and the looming threat of expulsion from the eurozone constantly brings about the flight of capital. All of which frightens off any private investors. By voting overwhelmingly for Tsipras and against the troika, despite bank closures and the threat of economic chaos, the Greeks have shown that more austerity is simply unworkable under democratic conditions. Future generations cannot be held hostage for decades on end to answer for a corrupt elite – especially as, for years and years, Europe turned a blind eye to Greek improvidence, in which it cannot deny a certain complicity.

Anyone who, on the pretext of existing treaties and their dictates, tries to ignore the unmistakable need for a change of course in policy towards Greece is simply in denial. The austerity programme forced upon Greece, and to which there was allegedly no alternative, is probably the first in the entire history of the IMF to be regarded as futile even by the "mother of all austerity programmes" herself.

In the interests of Germany and Europe, there has to be a return, particularly in Berlin, to a pragmatic realism in which the point of departure for political action is the complex nature of European reality, rather than simplistic market thinking. How come

the German elite and the majority of the German people so completely lost their European bearings during this crisis? Whatever happened to the sure touch of former chancellor Helmut Kohl who felt that, while money can usefully influence the course of history, narrow financial policy objections must not be allowed to shape it? At two trillion euros, the Kohl road to German unity was incredibly expensive, but it was a great political feat. Just like the German currency union, today's European currency union cannot succeed without transfers to, and real investment in, the crisis countries. No treaty, no bailout conditions - however harsh - and no Greek government can do anything to change that.

### **Europe means compromise**

The Europe of all-night sittings, countless negotiations and constant half-measures, but also of advancing integration, is based on a culture of compromise between strong and weak, between great and small. It is all about overcoming a European history marked by competing imperial spheres of influence and big power ambitions. Nobody has benefited more from this integration course than Germany. After two catastrophic world wars and Nazi atrocities and war crimes right across Europe, German dominance was no longer possible, despite the country's economic strength. To Bonn, political restraint was in the state's interest if, after Auschwitz, Germany was ever to return to European civilisation. This enforced modesty has proved good for Europe, but above all for Germany. A country that is too big not to be a power factor but too small to be a hegemonic force must be led with great statecraft to ensure peace, friendship and security for itself and its neighbours.

From Adenauer to Kohl, German chancellors could wish only for what was right. Faced with limited sovereignty, the Cold War and vivid memories of Kragujevac, Lidice, Marzabotto, Oradour, Putten, Vinkt, Warsaw and all the other sites of German war crimes, the Germans could not and would not convert their economic power into a hegemonic claim to political leadership in Europe.

Once reunited, Germany regained its full state sovereignty and became by far the most populated and economically strong country in the heart of Europe. From now on, wishing for what is right has become entirely a

matter for Germany's own sense of responsibility. A far harder task, as not everything that is right for Europe can immediately show a profit between the Rhine and the Oder. Constant public justifications are required as to why supposed, but also real, national interest and benefits should take second place to the wider European peace project.

### **The alternative is more democracy and solidarity**

Either Europe will be based on democracy and solidarity or there will be no Europe. The idea that European integration can be achieved by competition, through supranationally institutionalised market power, is an illusion harboured by technocratic dreamers. Reality cannot fit into the Maastricht corset. There is no escaping the need for deeper economic and political union if the single currency is to be preserved.

Germany now threatens to stray from the successful path of integrationist modesty and pragmatic solutions. But that is not a foregone conclusion, nor is it an unavoidable by-product of greater power. Rather, it is a mistake. It is never too late to shift course. In that regard, an important signal would be to complement the lopsided third austerity package with a rapid, generous investment programme. A German-Greek foundation for culture, education and research would be a further step towards overcoming the envenomed feelings between the two peoples, before those emotions harden beyond repair.

A change of policy requires new ideas and, for the sake of credibility and trust, new faces sometimes too. The Greek finance minister, who like his German counterpart, is blessed with great intelligence and a certain arrogance, showed responsibility and resigned at the height of his popularity in order to stay true to himself, serve his country and not stand in the way of a fresh start to tackling the crisis.

*Frank Hoffer is senior research officer at the Bureau for Workers' Activities of the ILO. He writes in his personal capacity.*