»Ach Deutschland!«
Greece, the Euro Crisis, and the Costs and Benefits of Being a Benign Hegemon

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Introduction

In his »Ach Europa! – Wahrnehmungen aus sieben Ländern« (Enzensberger 1987 [1989]) the German author, poet and »good European« »par cœur« Hans Magnus Enzensberger published a series of investigative travelogues about seven European countries and their political cultures, including Hungary, Sweden, Spain, Poland, and Norway. Europe, so the idea went, is much easier to discover and to »feel« when approaching its soul from its periphery than from its power center. This is why he deliberately excluded Britain, Germany, and France from the series. For him, Europe is not about an office or an institution, or about power, all of which are symbolized by the »big three.« Europe, instead, »is the best place to be in the world. It has a much richer future than the codified languages of the treaties.«[1] Commenting on recent developments in Europe in 2010, he expresses his anger and disappointment: »Europe is a great achievement but they are messing it up. (…) it is anti-European because they antagonize people without any reason for doing so. (…) it is rolling back liberties which we have acquired.«

Germany has become a major player in this gamble of »antagonizing« Europe, the Europe of ordinary people and political elites alike. The Greek quasi-bailout, the euro turmoil, and the current crisis management among the EU Member States all reveal that »messing up Europe« is nowadays a – intended? – consequence of German EU policy.[2] The current crisis of Europe is, for the most part, a crisis of Germany in Europe, the biggest (in terms of population and economic strength) and arguably most influential Member State within the EU. Thus, instead of sighing »Ach Europa!,« as the German journalist Christoph Schwennicke –

1. *The Guardian* (May 15, 2010).
2. See also *Financial Times Online* (May 10, 2010): »Germany pays for Merkel's miscalculations« (Münchau).

referring to Enzensberger – recently did,[3] »Ach Deutschland!« might be a better sigh with which to describe the current state of the EU in general and – closely enmeshed with that – of Germany as its benign hegemon and power house of the past, in particular.

Much has been written about Germany in Europe. Most commentators, journalists, academics, and politicians agree that the only way of taming post-World War II Germany was to link it as closely as possible to its European partners through the intermediary of international institutions. At the same time, it also became clear to European leaders that the only way to benefit from these close linkages to former enemy Germany was – paradoxically – to let it become strong and powerful once again (in economic terms). In that respect, France, for instance, took a risk when it decided to link its own destiny to that of the re-emerging and powerful West Germany. On the whole, European leaders deliberately accepted and explicitly pushed (with the help of the US) for another kind of German dominance in a closely interlinked Europe. What they gained from that strategy was economic wealth, on the one hand, and the certainty that Germany would relinquish its sovereignty to them, on the other. They »bought« control over the post-war and, later on, the reunified Germany by allowing it to regain strength and power. Germany, so to speak, became a benign hegemon by default, a status granted by its former enemies. Germany, nowadays, is on its way to losing this comfortable position as benign leader and legitimate power in the EU, not because others are rejecting its leadership or denying fellowship, but because it made a deliberate political choice: the Greece and euro crisis, once again, showed that Germany, in times of crisis, prefers to act unilaterally in the EU, instead of gaining support for its policies by leading and persuading others to follow. In the long run, however, this strategy could lead to a loss of leadership and power – at least in theory. Safeguarding its status as benign hegemon, this paper argues, might be a better strategy with regard to European monetary cooperation because it best serves the interests of both: Germany in EMU and EMU itself.

3. *Spiegel Online* (May 11, 2010).

Benefits and Costs of Being a Benign Hegemon: Theoretical Considerations

In a nutshell, liberal or benign hegemony means a preponderance of material resources in world economic affairs, on the one hand, and the political will to lead in a benevolent way, on the other. For a power to become hegemonic, it must have control over raw materials and capital resources, maintain huge import markets, exert control over markets and have competitive advantages in the production of highly valued goods, corresponding to relatively high wages and profits. In a liberal world political economy, such a predominant state, theory predicts, needs cooperation and would therefore favor more cooperative interstate relations (Keohane 1984: 31–39); in other words, it would become a benign hegemon. Some have stated that if the hegemon is in decline in terms of its material resources, international cooperation would decline, too. Starting from this crude basic model, much has been written about hegemony. For instance, it has been debated whether a hegemon is a necessary and/or sufficient condition for the stabilization of international cooperation. Gilpin, among others, posits that a hegemon is a necessary but not a sufficient condition for the establishment of a liberal economic order. Hegemons, according to him, make cooperation among states in economic affairs more likely and feasible; they do not prevent states from cooperation (Gilpin 2001: 94). Another refinement of theory holds that there is no automatic link between power (over material resources) and leadership (hegemon). Instead, hegemony is established only when there is a state that is powerful enough to maintain essential rules governing cooperation *and* when this state has the political will to do so – that is, to lead (Keohane/Nye 1977: 44). Political willingness to lead, however, is determined, among other things, by domestic factors; they need to be taken into account when predicting hegemonic behavior.

How does a powerful state make sure that others – that is, »secondary« or »subordinated« states – follow the leader? Liberal or benign hegemony is not about conquest, imperial attitudes or the use of coercive power, and so other, more subtle mechanisms must be engaged.[4] Two mechanisms have been put forward by the literature: the interests of the leader, on the one hand, and instruments and specific strategies to persuade

4. For benign or benevolent hegemony in contrast to coercive hegemony, see Snidal (1985).

other states to accept its rules, on the other. A benign hegemon aims at creating a liberal economic order to promote its own economic interests (and also its security interests). Liberal goods, such as free trade and monetary stability, require a dominant power with an interest in a liberal economic world and a willingness to expend its economic and political resources on others to achieve and maintain this order. Inasmuch as the hegemon is able to convince other states to adhere to commonly shared rules that guarantee liberal order, those states will follow the hegemon, theory holds. Among the instruments that allow other states to follow is the unilateral provision of public goods, such as free trade and monetary stability. These public goods, according to theory, can only be provided by a dominant leader with an interest in supplying the good for all and/or in forcing others to share payment for the good (Gilpin 2001: 98–100). Other instruments of a benevolent hegemon that prevent states from defecting are side payments and rewards; coercive measures, by contrast, are excluded.

Others add immaterial resources to the panoply of mechanisms of obeisance. Gramsci, for instance, focuses more on ideology: the hegemonic impact of a state power relies on the subjective awareness of the subordinated state that it is benefiting from hegemony and that the hegemon deliberately sacrifices tangible short-term benefits for long-term gains.[5] Thus, central to the concept of Gramsci is consent, not coercion. The hegemon's partners' power derives from the fact that they accept the hegemon's rules as legitimate. As long as they perceive them as legitimate and as serving their own interests they are willing to enter into unequal relations on a voluntary basis and to pay for them. Hegemony is not only about objective structural power (as put forward by Keohane, Gilpin and Krasner), but also about subjective ideological intent (Markovits/Reich 1991: 15–18, 1993).

Germany and European Monetary Cooperation in the Past – Between »Embedded« and »Semi-«Hegemony

Turning to the case of European monetary union (EMU), there are two main concepts of hegemony which may describe and explain Germany's behavior: »embedded hegemony« and »semi-hegemony.«

5. For an overview of Gramsci's thoughts on hegemony, see Adamson (1990).

»Embeddedness« has two dimensions: on the one hand, it refers to the fact that Germany leads in Europe by shaping new institutions. On the other hand, in order to create these institutions and convince others to follow, Germany needs to set a good example by taking on a »disproportionate share of the regional burden« (Crawford 2007: 15). Three hypotheses about Germany's behavior in EMU can be deduced from this: leadership behavior is expected to occur (i) when these multilateral institutions are strong, (ii) when they have an impact on German power and economy, and (iii) when its economy is strong. Germany did behave like an embedded hegemon in the past because, as the most powerful state in Europe, it took the lead in creating institutions, preferring long-term interests to short-term gains, providing these institutions with stability and accepting the high cost of maintaining them (Crawford 2007: 16). In the European Monetary System (EMS), the Deutschmark (DM) was the central transaction reserve and intervention currency in Europe. Related monetary policies of German governments provided stable exchange rates by offering liquidity and economic stability. Germany behaved like a benign hegemon because it did not follow its national economic interests unilaterally but sought to »capture« its partners (and rivals) by creating multilateral institutions and taking on an extraordinary burden to maintain them.

While Germany and EMS fit in perfectly with benign hegemony, the transformation of EMS into the European Monetary Union (EMU) and the introduction of a common currency are »puzzling« in terms of the concept. In fact, the EMS, Crawford argues, perfectly served the economic interests of the hegemon; from the theoretical perspective there were no reasons to transform the system: it provided monetary stability by fixing exchange rates defined in a negotiated parity grid, by defining the rules of the monetary regime that conformed with German preferences for anti-inflationary policy, and by backing exchange rate stability through increased policy harmonization. In cases of emergency – that is, when the currencies of partner states threatened to fall under the defined parity grids – Germany offered two safety nets: liquidity and intervention (Crawford 2007: 126–130).[6] By contrast, EMU – Crawford convincingly

6. Although such a safety net, of course, did not prevent Member States from unilateral devaluation. Consider, for instance, the case of the French franc and the Italian lira in the 1980s and 1990s.

argues – no longer needs a hegemon. Member States do not need to hold foreign reserves to pay for imports and to defend their currencies against speculation. The system, in other words, does not need a hegemon to provide it with liquidity and be a lender of last resort. In times of crisis, secondary states, thus, would not align their fiscal and monetary responses to those of Germany in order to »safeguard« their own currency; they would prefer autonomy to adherence to the regime (Crawford 2007: 142). The »glue« of the system – that is, the fact that secondary states are dependent on the lead currency and that they would therefore follow the leader in times of crisis anyway – has become obsolete; in EMU, the hegemon is in danger of losing, first, control over policy, second, legitimacy with regard to its dominant power position, and finally, the compliance of its partners when it comes to obeying its rules.

Semi-Hegemony

The concept of semi-hegemony emphasizes the behavior of the secondary states. Why is it that the European partners agree, in a highly asymmetrical relationship with Germany, to suffer constantly from massive trade deficits and deflationary policies (Le Gloannec 2001: 8–10)? Both effects – trade deficits with Germany and Germany's preference for deflationary policy – emerged when monetary policies were still only loosely coordinated in Europe within EMS; coordination was reinforced by EMU and the introduction of the common currency, the euro. The secondary states thus deliberately chose to accept the high costs of being members of a monetary union in which Germany took the lead. Why? Semi-hegemony combines economic dominance (structural power) with Gramsci's ideological dimension of power. As for the latter, it emphasizes »political credit.« Political credit is the trust that a particular political agent prompts among his partners. Trust is based on immaterial resources, combined with material capabilities. Material investments in trust include personality and the belief of Germany's partners that it can deliver what it promises. Both are reinforced and stabilized by networks and other institutional settings bringing German political and bureaucratic elites into a permanent and flourishing dialogue with its partners. Political credit, thus, is political capital that is continuously nourished by the institutional interconnectedness at governmental and non-governmental level (Le Gloannec 2004: 30). Comparing *semi*-hegemony with the crude theory of hegemony, the former concept sheds light on the fact that Germany did not regain power and leadership by its own forces (as the US did after World War II, for instance), but as a consequence of specific political choices made by others after World War II. Germany became a major military contributor and economic power in Europe because it was integrated and because it fitted in to the European and world economies. It has been accepted by its partners and neighbors because it was embedded within multinational and supranational settings (Le Gloannec 2004: 29). A pure liberal hegemon, by contrast, creates international institutions in order to link secondary states to rules and norms defined to enhance a liberal economic order. These rules and norms, however, serve first and foremost its own economic interests. The hegemon can easily – that is, at low cost – obey the rules of engagement because it created these rules according to its own interests. A semi-hegemon, by contrast, is somewhat weaker in the sense that it deliberately subjects itself more closely to these international institutions, thus accepting higher costs for obeying and maintaining rules and benefiting less from the rules it has established.[7] Germany is a semi-hegemon in European monetary cooperation because, first, the country had the resources – a strong currency backed by a strong economy and a tight fiscal and monetary policy – and second, because the European system (the institutions that had been created) allowed it to become that strong (Le Gloannec 2001: 13). Third, secondary states in Europe followed dominant Germany because the latter made side payments, either through financial contributions to the EU budget or through direct loans or helping other countries with trade balance deficits. Finally, as far as immaterial resources are concerned, the hegemonic position of Germany was accepted by the secondary states because Germany increasingly became a micro- and macroeconomic model that others tried to imitate (Le Gloannec 2004: 11–12).

Just as the transformation of EMS into EMU is a »puzzle« for the concept of embedded hegemony, as it is for semi-hegemony, the idea behind EMU is to reverse the highly asymmetrical relations between the hegemon and the secondary states within EMS. EMU, Le Gloannec argues, changed the system of power in monetary Europe by diffusing and diluting German power within the day-to-day politics of stronger institutional

7. Another distinction between weak and strong benign hegemons is put forward by Snidal: a weak hegemonic power is one that has greater incentives to provide benefits to subordinate states in order to preserve its legitimacy. Weakness, according to Snidal, will constrain a despot to act benevolently. See Snidal (1985): 588.

environments. Germany, while being a strong hegemon throughout the foundation process of the EMU (it shaped institutional designs and structured them according to its own interests), declined in EMU, once its rules and norms had been established and devised. EMU has become a process in which Germany constantly loses power (Le Gloannec 2004: 24–25).

EMU, Greece and the Euro Crisis: Losing Germany as Benign Hegemon – and Its Consequences

What does hegemony in general, and semi- and embedded hegemony in particular, tell us about the euro crisis? What does the crisis tell us about the hegemon Germany? What can we learn from theory? Embedded hegemony predicts that Germany will act multilaterally – that is, like a benign hegemon – only when the institutions it pushed for are strong and when its economy is strong, too. Otherwise, Germany would prefer to act unilaterally, that is, on behalf of its »national interests« in opposition to its European partners and allies (Crawford 2007: 16). In terms of semi-hegemony, the prediction can be summarized as follows: with the growing diffusion of power within the complex EMU decision-making system, volatile coalitions become the rule. Germany, through decades of a comfortable hegemonic position of leadership and dominance, has adapted badly to the new requirements for exercising leadership in that system, which involves persuading partners to follow when these partners are not as dependent on German monetary policy as they used to be (because EMU made power relations between Germany and its partners more symmetrical).

Roughly speaking, the Greek and euro crisis correspond to both concepts. Moreover, the crisis sheds light on the consequences of losing the benign hegemon, both for the system and for Germany. The Greek crisis reached its tipping point in January 2010 when Greece tried to raise funds to pay down some of its 53 billion euro deficit. Investors, this time, forced the government to pay an annual interest rate of more than six percent on five-year bonds. This financial shock arose out of a period of waves of downgrading Greece's credit rating to, by the end of 2009, BBB minus by the two leading international rating agencies Standard & Poor's and Fitch. As a consequence, Greece's threatening insolvency also led to attacks on Eurozone member states Portugal and Spain, leading to a significant and rapid devaluation of the euro against the US dollar. In order to stem market panic the Euro states edged towards emergency guarantees and the region turned to the leader in monetary and economic affairs in Europe, Germany, hoping that euro stability could be provided by a strong and decisive commitment on the part of the hegemon. »The Germans are the only ones with deep enough pockets,« one expert on European monetary cooperation said.[8] In fact, everyone expected to see Germany – with the assistance of France – taking over the leadership in crisis management. In other words, the European partners and also the EU institutions were willing to follow Germany as a leader in solving the issue. Thus, the Greece crisis represents an ideal playing field in which a benign hegemon might act accordingly.

But the opposite happened: from the beginning of the crisis, Berlin had been mostly silent and reluctant to intervene. The reason for this non-hegemonic behavior was, according to one source, tactics: the German government wanted to put pressure on Greece at a time when Greek public sector workers were opposing the severe cutbacks the government had promised in order to rein in its giant budget deficit.[9] But these tactics rapidly became the strategy of the day: apart from its astonishing silence and reluctance, Germany, having finally decided to act, did it mainly unilaterally – another surprise, for its European partners, journalists, and academics alike. Among its unilateral actions was the call for a treaty change to allow the expulsion of errant euro members, the wish to see Greece's problems solved within the hands of the IMF, not of the EMU, its reluctance and awkwardness about the 750 billion euro EU safety net for the single currency and, last but not least, the unilateral decision to ban naked short selling.

It might be too early to assess the causes of this tough unilateralism, but it seems plausible to argue, confirming the logic of embedded hegemony, that the perceived decline of the German economy,[10] the growing budget deficit,[11] and the prospect of a severe austerity program upon

8. *New York Times* (February 11, 2010): »Germany, Forced to Buoy Greece, Rues Euro Shift.«
9. Ibid.
10. In February 2010, Germany for the first time lost its most cherished title, world export champion, to China, reinforcing existing fears of economic decline. *New York Times* (February 11, 2010): »Germany, Forced to Buoy Greece, Rues Euro Shift.«
11. The projected budget deficit reached 118 billion US dollars in 2010, the highest deficit in post World War II Germany.

which the German government had to decide when the Greek/euro crisis broke out[12] led to its unilateral action. Furthermore, the fact that Germany preferred to see the Greek crisis solved by the IMF rather than EMU might be an indication that the German government, indeed, mistrusts the EMU's institutional settings and does not believe in the power of the EU institutions to solve the problem; that, in other words, the institutional setting of EMU is perceived as too weak to serve German interests. The latter point fits well Le Gloannec's argument about the diffusion and dilution of power within EMU: the German government did not want to act within and through EMU because it mistrusts the complex and barely controllable decision-making process.

However, the consequences of this strategy of non-commitment and unilateralism might be severe, for both the system and Germany: all actions, decided on under domestic political (regional elections in North-Rhine Westphalia) and legal pressure (the German Constitutional Court's decision on Europe and the Lisbon Treaty) have – according to first assessments – contributed significantly to increasing the crisis of the markets and deepening a confidence and solidarity crisis among the EU Member States – a crisis that has been unfolding since the Lisbon Treaty. When Germany agreed to contribute to a bailout fund, Europe's economic problems were far worse, and Germany and others committed themselves to paying much more, if needed. Merkel delayed a financial rescue for Greece until the contagion began to spread to other countries, especially Spain and Portugal. In fact, Germany's reluctance and caution over a bailout for Greece helped to turn a Greek debt crisis into one that threatened to destabilize the entire Eurozone.[13] Finally, Berlin's sudden

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12. Following the recommendations of the »Föderalismuskommission« in 2008 and according to Art. 143 d (1) of the German Constitution (»Grundgesetz«), German governments are now forced to control and consolidate the federal budget deficit by reducing instruments of new credit lending (»Schuldenbremse«). Analysts are worried about the negative consequences of deep spending cuts in Germany. A German austerity program might cripple a nascent recovery and also Germany's own prosperity. See *The New York Times* (May 26, 2010): »Germany vs. Europe.«
13. There is, of course, the »no bail out« clause in the treaties to which the government but also adversaries of the Lisbon Treaty in German academia and political elite circles referred to with great enthusiasm. Art. 125, in short, says that the Union and a Member State shall not be liable for or assume the commitments of other Member States' public authorities. It is, however, questionable, whether in times of unforeseeable severe crisis, such as the Greek crisis, this clause should become the only feasible rule with which Member States have to comply. Or, to put it

unilateral ban on certain forms of speculative trading provoked exactly the kind of market turmoil it was meant to stop.[14]

But Germany's unilateralism and isolationist inclinations – some would even say »autism« – have far more consequences than economic damage for the euro and the budget situation in many European Member States: it damages the image of the EU as a community based on solidarity and calls into question the quality of the EU as a credible and powerful actor in economic affairs at the global level. Mostly, however, they damage Germany and its role as benign hegemon: many commentators believe that we are witnessing the end of Germany's consensus-driven approach to Europe: nowadays, it is every man for himself. Its partners fear that the country is now merely affirming its national interest and imposing its (unilateral non-European) will on the rest of the EU. Germany, so to speak, is becoming a more »normal« EU Member State, defending its national interest like any other country.[15] The consequence is that its European partners do not take its leadership in monetary and economic affairs for granted anymore; Germany is losing its status as benign hegemon.

Doomed to Lead in Monetary Europe: Why Germany Ought to Remain a Benign Hegemon

Apparently, Germany has chosen to abandon its benevolent hegemonic approach. If Germany was to reestablish its status as benign hegemon in EMU, who would gain and what would be the benefits? Or, is Germany better off by withdrawing from leadership in EMU? What are the costs of being a benign hegemon today? There are two reasons why Germany should maintain its status: structural power and historical legacies. First, exceptional structural economic power forces Germany to take over the role as hegemon. Structural circumstances, in other words, cannot but

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differently: it might be that a unique and »historic« crisis, such as the Greek and euro crisis, needs exceptional political actions and choices that go far beyond the rules of the treaties. It is an open question whether the makers of the Lisbon Treaty had such a crisis in mind when negotiating the rules and commitments of EMU.

14. *The New York Times* (May 31, 2010): »Defending the Euro Is More Than an Economic Issue.«

15. *Time* (May 27, 2010): »How to Stop the Euro Crisis: Brussels vs. Berlin.«

lead to leadership.[16] There is no other choice because denying leadership would end in a loss of credibility and legitimacy among Germany's partners in Europe and would raise fears – solidarity, by consequence, would decline. Germany is doomed to lead in a benevolent manner because of its preponderant economic power, on the one hand, and its status as economic and financial model, on the other. In other words: Germany cannot behave like a »normal« country in Europe due to its overwhelming economic and monetary power. This exceptional structural power forces German governments to behave like a hegemonic power regardless of whether there is a conservative or social democratic government in power. Germany would be worse off if it were to withdraw from leadership in EMU because it would lose opportunities to control the fiscal and monetary policies of its Euro-group partners and it would not be able to reap the benefits of having designed EMU according to its own interests.[17]

Secondly, historically, Germany cannot be considered a »normal« country because there is still mistrust and resentment among its European allies and partners, as the Greek crisis has shown. As long as there are these feelings and disharmonious attitudes in the EU, Germany might lose legitimacy and credibility. Legitimacy and credibility, however, are needed to shape Europe's future accordingly, especially when it comes to leading within the panoply of EU institutions and circles in today's EU27.

What should Germany do, from a theoretical standpoint? Fighting for strong multilateral institutions and persuading others to follow by making side-payments and by investing »intellectual energy« in »sowing« the better argument, one might answer. As for the former strategy, UC

16. See also *Zeit Online* (March 31, 2010): »Ein halber Hegemon. Deutschland ist zu groß, um in Europa nur an sich zu denken« (Le Gloannec).

17. So far, Germany's economic and monetary »harvest« in leading EMU might be summarized as follows: low interest and inflation rates in the Eurozone, as well as a huge increase in intra-trade relations among its EMU partners; an increase in the integration of the European financial markets; and a stable currency. As for the latter, during the global financial crisis Germany fared better with the euro than with the DM: if Germany had still had the DM instead of the euro, the DM – some argue – would have come under revaluation pressure because huge amounts of foreign capital would have entered the large and stable domestic economy. A high DM, then, would probably have endangered domestic export industries with significant compensation costs for all, enterprises, labour, and the state. For these arguments, see Schwarzer 2009: 18.

Berkeley professor Barry Eichengreen argues as follows (Eichengreen 2010): the country has benefited enormously from the creation of the euro and it should now pay for it – behave, in other words like a benign hegemon! He goes on to suggest that the government should push for strong institutions, namely, an emergency lending facility, more political integration in EMU, fiscal support, and a more accountable European Central Bank. In general, Eichengreen sees the role of Germany as that of a potential Trojan horse leading Europe toward deeper political integration in monetary and economic affairs. Are we witnessing such a hegemonic movement by Germany in favor of strong European institutions in EMU, despite the huge burdens that come with them? Is Germany willing to take over a disproportionate share of the regional burden? There are some doubts.[18] In general, it seems that German

18. Many proposals for reforming EMU are on the table in the capitals of EU Member States and in Brussels; parts of them are on their way to being implemented. Most of these proposals come from Brussels, Paris, and Berlin. Among them is the idea promoted by Germany that a regime of tough sanctions against countries that breach rules, including powers to deprive them of European Union subsidies and their voting rights, must be established. The European Commission, however, rejects the idea, arguing that there are already procedures by which states with excessive deficits do not vote, for instance. France, for its part, proposes to establish a real economic government in order to rebalance and control the power of the European Central Bank. It has been backed by European Council president Herman Van Rompuy. Germany opposes this plan, fearing that the independence of the European Central Bank might be lost in such a setting and that state intervention might become the rule of the day. Instead, the government prefers to optimize the procedures of economic governance, namely, coordination among the Eurozone Member States' economic policies. Also on the table are proposals to create a watchdog group to control credit rating agencies but also the banking sector. The European Commission would be responsible for screening and monitoring national budget deficits much earlier than currently previewed within the framework of the Growth and Stability Pact. By September 2010, plans to create EU watchdog institutions for the banking and insurance sectors and stock exchanges were on the table and implementation is expected for 2011. Reforming EMU as a whole, however, seems to be much more difficult. The British government, for instance, criticizes surveillance agencies and the role of the European Central Bank in coordinating these agencies. The ECB president would control them by taking the lead in a new council structure (»Risikorat«), which means that the United Kingdom would not get the chance to control agencies as long as UK governments refuse to become a member of EMU. See *Süddeutsche Zeitung* (September 7, 2010).

negotiators in Brussels and Berlin are deliberately slowing down the process by explicitly bargaining towards weak institutions in Brussels and strong institutions in Berlin.[19]

What are the burdens for Germany in leading EMU today? There are economic, immaterial (that is, ideological), and institutional burdens. Looking at the economic burdens, a monetary and fiscal policy that keeps EMU alive and the euro stable would be expensive. The burdens include accepting high economic short-term costs, while hoping to get long-term benefits from explicit engagement. Münchau (2010), for instance, suggests a triple policy mix: in order to keep EMU alive and the euro strong, spending cuts in the public sector should be reined in, consumption in the private sector should be increased, and demand for EMU partner products among German consumers should be raised so that the economies of countries such as Spain and Portugal could be consolidated.

As far as institutional burdens are concerned, acting multilaterally needs a willingness to find the better argument and fight for it, to spend more time to convince people, to have more patience and stamina. It is, in other words, the more costly political choice. This is all the more evident because the complexity and diversity of the EU project have led to what Le Gloannec calls a diffusion and dilution of power. Apparently, German political and bureaucratic elites are badly equipped to lead in this panoply of institutional networks, or to maintain, in other words, the leadership role by reigning within and through institutions.

Finally, with regard to immaterial burdens, the German political elites' burden consists of resisting the temptation towards unilateralism in order to hold political capital stable. Germany's political capital, or ideological power, is weakened by the insatiable hunger of its political elites to satisfy short-term domestic, if questionable voter demands instead of keeping EMU and the euro stable. Since the Schröder-Fischer government, political elites in Germany have constantly denied that leadership in Europe is the only way for Germany to gain as much from Europe in the future as it has in the past.

Recognizing leadership and related burdens necessitate one crucial precondition: political elites that believe in Europe. Here, we should worry about political culture in Germany.[20] The Greek crisis is revealing

19. See *Die Zeit* (July 15, 2010): »Ohne uns! Wie die Bundesregierung über Monate hinweg Brüsseler Pläne für eine europäische Bankenaufsicht bekämpfte« (Tatje).
20. See also *Süddeutsche Zeitung* (September 16, 2010), »Europas Populisten« (Stefan Ulrich).

in that sense: when in a series of lurid articles published in February and March 2010 the mass circulation tabloid *Bild* blamed Greeks for being lazy and able to retire in their early fifties, having wasted billions of euros transferred to them by virtue of the European funds for structural adjustment and regional development, surprisingly, none of our well educated and intellectually sophisticated politicians currently in power in Germany were smart enough to publicly condemn these embarrassing attacks against Greece – and thereby to safeguard legitimacy, trust and credibility, or the political capital of a benign hegemon.[21] This is bad news for those who hope to see Germany maintain its status as benign hegemon in tomorrow's EMU.

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21. Domestic discourse is revealing in that sense, and also disconcerting: the Merkel government has constantly argued that Germany is not willing to pay for others' economic and fiscal faults in EMU (Schwarzer 2009: 29). However, this argument is misleading and serves only a polemical function because it glosses over the huge benefits that Germany has had from EMU and the euro. Also, it ignores the fact that the fiscal and economic faults of others might also emerge due to structural constraints evolving out of the dominance of the German economy in EMU.

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