

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

November 17, 2011

German industrial and financial power is the key to understanding the complex and often confusing international maneuvers around the Crisis of the Euro. Germany is Europe's industrial powerhouse, the only country that has survived the Great Recession with a healthy economy, low unemployment, rising GDP, social stability and a favorable balance of trade. Yet, only within the solid framework of a strong European Union can Germany, Europe's principal creditor nation, ever hope to collect on her Southern European loans and investments. The stability of the European currency is essential to a continuation of Germany's favorable economic situation, even 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 November 15.

For Germany (and its 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: hegemony in Europe, Germany's century-old dream.

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. (*Bismarck, Démon ou Génie?* by Marice Ezran, Paris 1994.)

By the end of the 19th Century, efficient, scientifically-organized German industry was challenging Britain's outdated industrial plant for economic supremacy.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 its 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 its ally the French Republic (still a major military power), Germany was obliged to fight on at least two fronts in both World Wars, as well as at sea against the formidable British Navy. 2) The rise of a new, rich and vastly more populous military-industrial power, the United States, allied with France and Britain. 3) The lack of access to modern petroleum-based energy.

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. 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 unlikely diplomatic support from ex-enemy de Gaulle of France, who forged a close alliance with Chancellor Adenauer while carrying out France's independent, anti-US foreign policy during the Cold War. Today, France's Sarkozy rides shotgun as Merkel's 'Deputy Sheriff,' foreclosing on European debtor nations. As for Russia, as early as the 1970's, West German leader Willi Brandt dared to break the ice of the Cold War with his independent *Ostpolitik*, opening up lucrative German trade with its 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 today a former East German, Angela Merkel, rules over a rich, populous, and powerful united Germany, from the Chancellery established by Bismarck in Berlin back in 1871.

Right now, Chancellor Merkel, a Conservative like Bismarck, is dragging her centrist coalition—uniting all factions of German capitalism—into another daring gamble. The terms? Bail out the Euro zone and end up owning it. In other words, German hegemony, without German militarism. In the words of Meyer Rothschild (whose financial house bank-rolled Bismarck): "Give me the right to issue and control a nation's money and I care not who governs the country."

Using diplomacy and 'soft' power, the Chancellor will now collect the debts that the Greeks and Italians owe the Frankfurt bankers as effectively as the U.S. Marines collected the Central American debts for the New York bankers a century ago. Only, instead of sending gunboats and installing 'friendly' dictators, Merkel employed canny diplomacy and financial clout to engineer the fall of Papandreou and Berlusconi, Europe's two most long-serving and popular Prime Ministers. (The 'Socialist' Papandreou was brave enough to call her bluff and announce a popular referendum on the Euro at the Cannes 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.

Bloodless Regime Change

The deposed Greek and Italian heads of government have now been replaced by so-called 'technocrats' subservient to the German-dominated European Union Central Bank. Both are representatives of Big Finance:

"Mario Monti, who will replace Berlusconi, was formerly the European Chairman of the Trilateral Commission and a member of the Bilderberg Group. He is also listed on Goldman Sachs board of international advisers. Lucas Papademos, who will replace Papandreou, was formerly the Vice President of the European Central Bank (ECB), and served as Senior Economist at the Federal Reserve Bank of Boston in 1980. He's also been a member of the Trilateral Commission since 1998."

The Chancellor has also 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 shady bankers and corrupt 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 beheadings 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. Classical Europe's two historic Great Powers, the fountains of European civilization, the cradles of democracy (Greece) and of the rule of law (Rome), are henceforth vassal states under the regency of German and North European banking capital.

Diplomacy Trumps Militarism

From an international perspective, Merkel's diplomacy and soft power have succeeded in dominating two of the countries where Hitler's hoards came a cropper in 1944. Meanwhile, on 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 (and France) with an endless supply of cheap Russian gas and a bottomless market for Mercedes and Peugeots. The Nordstream pipeline, developed by private capital, runs under the North Sea from Vyburg, Russia, to Germany, thus cutting out East Europe and changing the balance of power. 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 helping a rival German-dominated European economy to become 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 previously unmatched military and economic power of the United States; and 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 Street' 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. Some Greek protesters have even carried blue European Union flags with yellow swastikas in the middle and compare the debt deals to the occupation of Greece during World War II. It would take a showman like Berlusconi or a populist like Papandreou to continue to bamboozle the masses into acquiescence, and now they are gone.

Dangers and Opportunities

In this new situation in Greece and Italy, one can expect a rise of national resentments as well as splits within the national bourgeoisie between pro-Europeans (finance capital) and local business interests (like tourism, retail, and export industries) who may align with the working classes. Such an alliance might demand an exit from the Eurozone, so as to liquidate their debt through default (as was successfully done by Argentina), devalue their currencies, and become competitive again. On

the other hand, as the world economic crisis deepens, the dangers of far-right nationalism may increase in Europe's debtor countries, leading even to fascism, as they did during the Great Depression.

Yet despite this striking historical parallel, today's global political context is vastly different. During the 20th Century, Soviet Russia was perceived as a revolutionary threat, and so the capitalist democracies tolerated and encouraged the violent anti-Communist movements of Mussolini and Hitler until it was too late to stop them.[1] At the same time Stalin, who cynically manipulated the European Left in the interests of Russia foreign policy through the Communist International's control of local Communist Parties, divided and demoralized Europe's working classes, opening the gates to fascism.[2] In the 21st Century, the masses have no such divisive illusions about 'revolutionary parties' and 'socialist fatherlands.' In today's globalized multi-polar world, the workers in every country, from Greece to 'Communist' China, are confronting the same neo-liberal ruling class attacks and fighting back through strikes and occupations.

Internationalism

So *if* national resentment doesn't turn into chauvinism and *if* the 99% -ers remain independent of their national-bourgeois allies, recent 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-peonage to the German-dominated European banks while avoiding the dangers of nationalism on the Right.

Up to now, the established European labor unions and the Left parties (Communists and Socialists) have succeeded in confining class conflicts within their national borders, while at the same time 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 into 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 international 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. We live in heady times, rife with dangers and rich in possibilities.

Montpellier, Nov. 16, 2011

Notes

1. Similarly, U.S. and British imperialism cynically encouraged Islamism in the Arab world as a foil for socialism and secular nationalism, while arming the likes of Osama bin Laden against the Russians—only to be overwhelmed by 'blow-back.'

2. In 1932, the Comintern ordered the German CP to support the Nazi's against the Social-democrats under the slogan 'After Hitler Us!' In 1936, when Stalin made his alliance with the Western capitalist democracies, the Comintern created the class-collaborationist 'Popular Front Against Fascism.' The French CP/CGT called off the revolutionary June 1936 nationwide factory occupations in order to placate Stalin's bourgeois allies. In 1937 in Civil War Spain, the Communists,

allied with the Liberals, brutally suppressed the more radical socialist, anarchist and syndicalist workers' and peasants' movements who bore the brunt of the fight against Franco, thus provoking the defeat of the Republic. In 1939, Stalin signed his infamous pact with Hitler, and the Communist Parties changed their 'line' from 'anti-fascism' to pacifism, politically disarming the French working people in the face of the 1940 German invasion and occupation.