Germany's Role in the Eurozone Crisis and the EU Reform Process

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The sovereign debt crisis that hit the European Union and some of its member states is an enormous political, economic and financial challenge for European integration. The crisis and its implications have caused serious problems for the functioning and the acceptance of the European project. Especially the troubles of some Eurozone-members have led to considerable instability of what has always been the firm ground of integration, i.e., the mutually beneficial economic, commercial and trade relations between the economies of the member states. Soon after its outbreak, the sovereign debt crisis and the problems of the Eurozone have also had political effects. Governments in many member states have fallen victim to dissatisfaction caused by the economic downturn, problems of the banking sector and rising unemployment. In some EU-countries the hardships of economic reforms, cuts in public spending and a downsizing of welfare systems have sparked social unrest and protest movements. But the crisis has not only caused complications in domestic policy. The difficulties in the Eurozone and the complicated politics of handling the crisis have also impacted on the political dimension of European integration. For many, the Euro has been regarded as a key political project and a driver towards an "ever closer Union". The problems

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in the Economic and Monetary Union (EMU) seemed to threaten this flagship project and could have the potential to slow down or even reverse the intensification of Europe's integration. Especially, because the crisis emerged after tendencies of renationalization and growing emphasis on national interests have gained ground in many member states in recent years. Moreover, uncertainties about the Euro's future and the success of stabilization efforts have caused increasing doubts about the effectiveness of the EU's response to the crisis. At the same time, decisions taken by non-elected institutions and in nontransparent procedures (like, e.g., the Frankfurt Group consisting of the presidents of the European commission and the European Council, the president of the European Central Bank, the heads of the IMF and the Euro group, the German chancellor and the French president) have brought about a feeling of the EU as a more and more "technocratic" and "post-democratic" entity, lacking appropriate democratic legitimacy.[1]

The crisis and the attempts to overcome it are a common challenge for all member states. However, those countries with a big political, economic and financial potential have a special role to play. That is why Germany, the heavyweight among EU and Eurozone-members, is a key player in the process of re-stabilizing the Economic and Monetary Union (EMU). Even though there is fundamental disagreement with the German way to tackle the crisis, supporters and opponents of Berlin's concepts attach overarching relevance to Germany. What is Germany's approach in the crisis management and the reform debate of the EU and what are Berlin's key objectives? If Germany is the most important player and the essential "payer" country in Eurozone-rescue mechanisms, has the crisis created a window of opportunity to enlarge German influence and to shape European integration according to German credentials? Who are Germany's partners? And what are the basic challenges in the upcoming time?

Germany's Interests in the Context of the Crisis

As the biggest EU- and Eurozone-economy, and as a country that is heavily dependent on exports and intensively intertwined with the economies of other Eurozone and EU-states, Germany has a vital interest in a swift and sustainable stabilization of the EMU and the Euro-area. Moreover, as Germany is traditionally one of the standard bearers of European integration as a political endeavor, a breakdown of the Euro with all the political consequences would be a severe blow to one of the pillars of German Post-World-War-II-Identity. That is why Germany has clearly stated, that it is an overarching objective that it will do everything to support the Euro and that the Eurozone has to survive. Hence it came as no surprise that the German chancellor declared, "If the Euro fails, then it is not only the money that fails. It is more that fails. It is Europe, it is the idea of European unification that fails."[2]

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Germany's approach to overcome the Eurozone-crisis corresponds to its traditional economic concept of ordo liberalism, giving priority to price stability, independence of the central bank and fiscal consolidation. The dominant German reading of the crisis is that in some Eurozone-states enormous bubbles and imbalances emerged, because they were neither tough enough with their public finances nor had they carried out necessary reforms to improve competitiveness. In crisis management, Germany's main objective has been to convince its European partners to embark on strict budget consolidation, at the same time improving competitiveness and innovation capacities. As biggest net contributor to Eurozone aid schemes like EFSF or ESM (Germany accounts for 27% in the ESM), Germany has tried to shape reforms of the Eurozone and reforms in member states according to the German model. Germany's basic idea has been to enshrine efficient, (quasi-) automatic sanctions against countries with substantial budget deficits in exchange for support. This all has to happen by defining central rules and establishing functioning implementation mechanisms of these rules (which often in the past have not been observed).

This "conditioned solidarity" is the spirit behind most of the reforms of Eurozone- and EU-economic-governance-reforms initiated or supported by Germany. It is visible in the reform of the Stability and Growth Pact (SGP) and the so-called Six Pack, as well as in the stability treaty signed in January 2012 by 25 member states (the so-called Fiscal Compact aimed at the introduction of a sovereign debt ceiling or debt brake according to the German model). At the same time, Germany rejected an active role of the European Central Bank as lender of the last resort, since "there is a price we are not willing to pay — the cost of price stability."[3] The German government has also repeatedly criticized growth by cheap money as well as a relaxed or Keynesian pro-growth policy. It has rather been favoring a strategy inducing growth through budget solidity as a precondition for sustainable economic development: "When it comes to restoring confidence, consolidation and growth are basically two sides of one and the same coin."[4] This posture results from Germany's historic experience with hyperinflation and its dangerous social and political consequences, as well as with the economic doctrine of "social market economy," which was the guiding principle of Germany's Wirtschaftswunder, i.e., the successful economic recovery after World War II.

Despite considerable German contributions to aid schemes and rescue funds for ailing Eurozone states, from the point of view of France or Southern European countries, Germany appeared to hesitate. For them, Germany is the biggest beneficiary of European integration and the Eurozone, so Berlin should not be reluctant to assist and to generate additional aid for partners in need. Nevertheless, Germany has continuously pursued its approach. In doing so, Berlin tried to launch the narrative of a new balance between solidarity and responsibility.[5] However, this did not really work, and Germany's philosophy has soon got the attribute of "austerity." What has been perceived as an adamant German position has much to do with domestic developments: Today, every German government has to consider at least three factors, which in previous times have not existed in such a way. First, public opinion, which has never been enthusiastic about the introduction of the

Euro and which reacts in a sensitive way to any signs of possible currency weakness; second, the Federal Constitutional Court, which recently (in a verdict on the Lisbon Treaty) has shown, where the red-lines of the German Constitution for European integration are; and third, the parliament, where even among the political groups of ruling parties more and more members of parliament are critical about growing financial risks coming from the Eurozone-stabilization.[6]

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Apart from Eurozone-reform and rescue-mechanisms proper, in the course of the crisis Berlin has pursued the following objectives:

- Berlin has been highlighting that it has a predilection for the unity of European integration. Although Germany has supported the strengthening of the political scaffolding of the Eurozone (Eurozone-summits, Eurogroup...), multi-speed Europe is seen only as the second best option. Germany accepted the way, the Fiscal Compact was launched, i.e., an accord, which due to British resistance, is an intergovernmental treaty between 25 member states, but Germany would have preferred, if his agreement would have been part of the EU-treaties.[7] That is why Germany has also called for a prospect of inserting it into the EU-framework in the long run. At the same time, Germany has always been relatively open, to include non-Eurozone-states (especially those without a formal opt-out, i.e., all except for Great Britain and Denmark) in a soft way into the Eurozone structures (of course without a vote). This is slightly different from the French approach, which has been sympathetic with "a Union within the Union."
- The German government has consistently rejected the idea of Eurobonds, i.e., common sovereign bonds of Eurozone-member states. At one occasion, Chancellor Merkel is reported to have said that there would be no comprehensive

debt sharing "as long as I live."[8] The Finance Minister Schäuble (a member of Merkel's Christian Democratic Union [CDU]), seemed to be a little more nuanced, arguing that the Eurozone pooling of bonds is imaginable, but only once a functioning fiscal union has been achieved — which for him is a medium-term process.[9] Even this modest statement, which practically would postpone a possible introduction of joint bonds for many years and makes it conditional on tough reforms, has sparked criticism from the liberal coalition partner of the CDU, which excludes Eurobonds for good.[10] For Berlin, this means the mutualization of debt and the entry into a Union of transfers. The opposition parties, i.e., the Social Democratic Party and Green Party, are much more open to this idea.

- Germany has accepted and actively supported plans to give the EU more legitimacy. German politicians agree that especially the growing democratic deficit has to be reduced if the Eurozone moves to more fiscal centralization: "Stronger democratic legitimacy and oversight — this principle must be adhered to in all measures aimed at deepening economic and monetary union. It forms the centerpiece of a renewed European Union!"[11] Around 2011 and early 2012 a consensus seemed to emerge, according to which "more integration" and accordingly building a "political union," including improved economic and fiscal governance, is the way to overcome Europe's problems. However, the picture is less clear, when it comes to the question that how far political reform should go. By the end of 2012 two camps seem to have appeared. The first camp is arguing to focus first of all on economic governance reform and to improve above all competitiveness in member states. In a speech at the German parliament in December 2013, the chancellor emphasized better regulation of financial markets, improved banking supervision, better fiscal cooperation and the "key question" of competitiveness. Proposals by European Council President van Rompuy (the so-called quadriga report "Towards a Genuine Economic and Monetary Union"), were called a "background document" and obviously seen as a question of the far future.[12] The preference of this option is to revitalize the Eurozone economies by a "pact for competitiveness," based on bilateral agreements of (Eurozone) member states and the Commission. If treaty changes are required on this purpose, they should be narrow and focused on the improvement of economic coordination.[13] Then there is a second camp, for which a comprehensive reconstruction of EU-institutions and mechanisms towards a genuine European democracy is necessary given the major reforms that are going on in the economic sphere and in the EMU. The paper produced by a group of EU foreign ministers and initiated by the German Foreign Minister Westerwelle is certainly part of this second view. Although it gathers many proposals attainable within the existing treaties, changes of primary law are not excluded.[14] Also, the German finance minister has called for a major overhaul of the political system of the EU: "We should have the confidence to allow a European Commission president to be directly elected, to abolish national rights to appoint commissioners, to evolve the Commission into a European government, and create a bicameral system comprising a Parliament elected by an equal, general vote and a Chamber of Member States in which seats are distributed according to degressive proportionality.[15]

Who are Germany's Partners?

Since the emergence of the crisis Germany has tried to build coalitions and partnerships with other member states, in order to get support for its understanding of reforms and in order to avoid the emergence of new dividing lines in the EU.

France has been the key partner in efforts to stabilize the Eurozone and to rearrange the economic governance of the EU. After difficult beginnings with French President Sarkozy, the German chancellor and the French head of state have actively built the key axis of crisis

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management. The sovereign debt crisis has brought about a renaissance of Franco-German relations, as both countries have become the source for various initiatives aiming at the reduction of economic and fiscal imbalances. "Merkozy" of course was an asymmetric partnership. Nicolas Sarkozy, in party political terms a close friend of Angela Merkel and her Christian Democratic Union, quite soon acquiesced to Berlin's call for budgetary discipline. To quite a considerable extent this resulted from France's economic weakness. Whereas both countries at the beginning of the 21st century were seen as two countries, which both experienced a crisis of their "Rhine capitalism" (with high social security standards, rigid labor markets and strong trade unions), Germany after the reforms of social-democratic Chancellor Gerhard Schröder laid the groundwork for a pathway to more dynamic economic growth. France did not implement comparable reforms, which obviously opened the economic gap between both countries.[16] This gap has translated in political weight. The constellation changed somehow after the presidential elections in France in 2012. The new French President Francois Hollande questioned Germany's "austerity-first" approach and demanded a shift towards more elastic, stimulus-oriented fiscal policies. Although Hollande has acted in a more pragmatic way than his resolute rhetoric has sounded, in the first months of his tenure, he was able to receive a certain trophy, when Germany agreed to a European "Compact for Growth and Jobs" — which was Hollande's condition to accept the fiscal compact. Nevertheless, the growth pact is not a broad stimulus-package, it is a rather modest initiative without big extra money, re-shifting existing financial aid from structural funds, establishing guarantees for "project bonds" or increasing the capital of the European Investment Bank.[17]

In spite of these differences German and French leaders are aware of their common responsibility for the EU. During the 50th anniversary of the Franco-German Elysée-treaty in January 2013, both sides declared their determination, "to develop Franco-German cooperation further and put it at the service of deeper Economic and Monetary Union, so that Europe may overcome the difficulties and enable us to emerge stronger from the crisis."[18] At the same occasion, the French president and the German chancellor announced common proposals for developing the Eurozone and deepening fiscal integration.[19] However, the upcoming elections to the German parliament have made it difficult to produce such proposals before the June 2013 EU-summit.

The countries in the EU South have been critical of the "German course," since they are afraid of the economic, social and political implications of bold fiscal consolidation. However, there has been no efficient Southern caucus, which would have been able to push through a fundamental revision of the stability through consolidation formula. However, there were situations of effective counterbalancing of Germany, e.g., when Spain and Italy tried to establish a new trilateral format with France. This coordination led to softened conditions for access to money from the European Stability Mechanism for countries in need. With a relatively weak France, Southern European leaders have (despite differences) continued to maintain direct relations with Germany, especially Italy and Spain have sought to stabilize cooperation with Berlin.

A group close to Germany's philosophy of consolidation is the AAA-ranked-Eurozone-states (without France). These countries from Northern or Central Europe (Finland, Netherlands, Luxembourg, and Austria) are natural allies for Germany. At the end of 2011 some German politicians thought about the idea to issue "elite bonds," i.e., common sovereign bonds of the AAA-Eurozone countries. This concept was not accepted by the German government, but the discussion showed that, in parts of Germany's political elite, there is a feeling of proximity to the other AAA-states. At the beginning of 2012, for the first time, the finance ministers of four AAA-states had a meeting in Berlin.

The new Central and Eastern European member states are mostly like-minded, when it comes to Germany's culture of stability. The radical social and economic transformation after 1989 made these countries less empathic with the countries in Southern Europe. Slovakia's skepticism towards Eurozone assistance for Greece or the ESM was a typical example of this posture. Slovakia's foreign minister, e.g., justified the rejection of aid schemes for Greece in 2011, arguing that there was no solidarity of the poor for the rich and of the responsible for the irresponsible. Also the then president of the European parliament, Jerzy Buzek from Poland, in a speech in Berlin stressed that there can be "no solidarity without responsibility."[20]

For Germany, Great Britain has been traditionally a less "awkward partner" than for France. In many respects, London is an important ally for Germany — despite British euroskepticism. The main reason for this is Britain's function as a pro-market counterweight to French influence in issues regarding the single market or economic policy in general. However, the December 2011 European Council, when Great Britain via its veto-threat forced German, France and others to anchor the Fiscal Compact outside EU-treaties, was a step that irritated many in Berlin. Since that time, after Prime Minister Cameron's veto against a compromise of the mid-term EU-budget-framework in November 2012, and after Cameron's announcement to hold a referendum about the EU-membership in his country by 2017, in Germany (as well as in other member states) there is a growing worry that the British government could complicate essential EU-reform for domestic political reasons.

Does the Crisis Lead to German Dominance in Europe?

Germany seems destined to become the dominator of the new European Union, i.e., the reformed entity resulting from efforts to solidify European integration after the strong ripples of the financial and sovereign debt crises. At first glance, Germany has all the resources to sketch and mould the ongoing process of change, which is necessary to stabilize the Eurozone and to improve economic governance in the Union. As the biggest member state, the most important economy and, of course, as the key contributor to Eurozone-rescue schemes, German influence appears to have grown to unprecedented scales. Particularly, it looks as if Berlin has gotten a unique opportunity to form European integration according to the German credos of Ordnungspolitik and a multi-layered, quasi federal political system — with financial engagement in the mutual assistance mechanisms of the Eurozone as the crucial lever to Europeanize German beliefs about fiscal solidity and compliance. However, while media debates, political expectation and widespread fears are painting this picture of German preponderance, reality draws a rather different portrait.

The main reason for this is that German capabilities to "project" its power on the Union level are substantially restricted. Just like potential does not equal power and power does not equal influence, Germany's position as the most relevant "donor" in the stabilization arrangements does not translate automatically into political supremacy. In this context, especially four factors play an important role.

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First, the group of German allies is small, and moreover it seems to disintegrate. Within the Eurozone it is just a couple of member states like Finland, the Netherlands or Austria, which stand firm with the German "culture of stability" on public finances. French elections have not only blown away Merkozy, but have created a staunch protagonist of what has been called the Southern pro-growth camp. With many Central Europeans rediscovering their affinity to growth in the context of the talks on the new Multiannual Financial Framework (like Poland and the other "friends of cohesion" from the region) or due to domestic agendas (like Slovakia's center-left Robert Fico), even these countries cannot be taken for granted, even though they have been traditionally articulating their sympathies for German fiscal strictness.

Second, Germany has no real chance to deny assistance. This results from the strategic attitude of the German elites, for whom the future of the country and its economy is dependent on the rescue of the common currency. Calling the monetary union a common European destiny (Schicksalsgemeinschaft), the German chancellor indirectly points at the risks emerging from a possible failure of the Euro or the default of EMU-members bear for Germany. Of course, for the time being Germany has resisted the introduction of Eurobonds and has insisted on austerity, but in case of an existential danger of the Eurozone Germany simply has to act and, if necessary to pay or even to accept new measures, which it rejects so far. Alexis Tsipras, the leader of the radical left in Greece has put it bluntly, stating that Greek's problems are also Germany's problems, due to the exposure of German creditors. Such considerations entail a clear signal: If we don't get assistance, we will default, and then Germany will be seriously affected! In other words: Germany is not able to threat help-seekers with non-support, it is rather the help-seekers, who can intimidate Germany.

Third, pushing for "German" solutions implies costs. Political costs on the one hand, since Berlin is seen as an egotistic actor, who is not ready to share the burdens of the crisis, in spite of being the biggest beneficiary of the Eurozone and European integration. Germany's call for harsh budget discipline has already led to a tangible deterioration of its image in Greece, Spain and even France. On the other hand, the export of German solutions to Europe implies also financial costs. The great leap forward to a European "political union," which bears German handwriting, would imply huge material contributions and risks (not only, but particularly) for German tax payers, like the mutualization of debt, an effective banking union or increased horizontal transfers of money.

Fourth, Germany has no supremacy in the debate about better economic governance. Although Germany enjoys the trust of many smaller states, in spite of Germany's readiness for inserting also non-Euro-states in the efforts to improve economic and monetary governance, and notwithstanding the expectations of many member states for German leadership, Berlin was not able to create a strategic majority for its understanding of economic regeneration. With the Hollande-effect and related power shifts on the political map of Europe, after the possible return of other social-democratic governments and due to decreasing public acceptance for spending cuts in most countries, proponents of an expensive big government approach seem to gain the "discursive hegemony" over Germany's monistic austerity mantra. Common efforts with other member states, like a recent initiative on "smart growth" together with Sweden, Finland and the Baltic states, indicate that Germany is looking to get rid of its anti-growth image and to broaden its definition of economic soundness, but the outcome of this will be rather a grand bargain with the stimulus countries than German control of the discursive space.

All in all, the EU is not in a situation where Germany is taking the reins and Berlin is unilaterally enforcing a European model of integration according to its own image. Germany is rather a big player, with numerous domestic restrictions (including a reluctant public opinion, a strong Constitutional Court and an increasingly active Bundestag) in need of support to get safeguards and partners for the future in an ever tighter Union of common liabilities and shared risks. Exaggerating somewhat, one might argue that Germany is more of a powerful demandeur rather than a dominating rule-setter.

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The Big Challenge: A "Normalized Germany" in Need of Partners

Germany faces huge challenges in the EU. It is supposed to lead, but is reluctant to do so. And when Germany begins to (co-) lead, many partners are bothered. But apart from this leadership dilemma, it is above all the confluence of four big themes, which will determine Germany's and the Union's political prospects.

- The new British question: Will Great Britain continue to drift away from the EU or at least from its political center? The successful conclusion of the negotiations on the multiannual EU-budget framework in February 2013 (Great Britain had already once vetoed a European Council) had shown, that Germany can play an important role to build bridges towards London. However, if in the context of the British EU-referendum and rising anti-European sentiments in the British public and mass media, London will call for additional substantial opt-outs from the EU this might complicate Eurozone and EU-reform. Especially if Great Britain wants treaty changes, a complicated process of negotiations would have to be initiated.
- Scope of future EU-reform: The British question is particularly grave, if the EU decides to embark on the path of deep and comprehensive political reform. Commission President Barroso has called for the creation of a "federation of national states" in Europe. The European Parliament would certainly press for a Convention if anything more than cosmetic changes of the treaties would happen. If a Convention process is launched, a rather complex endeavor is waiting: The whole exercise might be "uncontrollable" in terms of what its direction is, and the reform process could be lengthy and risky due to the following negotiations among governments and the ratification procedures, which would probably include referendums in some member states. In any case, it would be linked with the British question and London might use its veto power on EU or Eurozone reform as a bargaining chip.
- The state of the French economy and public finance: If France has economic troubles, it might not meet the stability and fiscal criteria of the new (and old) mechanisms. Would Germany push for tough sanctions against its most important partner? If yes, this would put strain on the Franco-German-couple and it would produce domestic resistance and problems for president Hollande and his government. If no, the new architecture of fiscal consolidation and the

philosophy of a rule-based approach, including sanctions, initiated basically by Germany, is watered down before it really begins to work.

- And finally, the developments in the crisis states of the Eurozone. Even though EFSF and ESM, ECB intervention (especially outright monetary transactions OMT) and first steps towards a banking union have calmed down the turbulences in the Eurozone, the emergence of new hot-spots is still possible. But even if the outbreak of new worst cases can be avoided, it is important that countries like Portugal, Ireland or Spain will have a real prospect for a positive economic pathway. Without an optimistic horizon and sings of economic recovery, the model launched by Germany and implemented in these countries will again be challenged.

With more and more resistance against the German way of economic and financial reform, Berlin has already started to soften its "consolidation only" rhetoric and accepted the need for strengthening the growth dimension of adaptations. In an optimal scenario dialogue between Germany and France (as *pars pro toto* for North and South) would achieve a grand bargain, which would include Berlin's yes for the French concept of solidarity in integration (intégration solidaire)[21] and German demands for better competitiveness and tough budget rules.

At the end, the shocks of the sovereign debt crisis will leave Germany (and its partners in the EU) with an overarching predicament: On the one hand, the crisis will make Germany a more "normal" member state — defending national interests, considering domestic political factors and trying to shape European integration with less self-restraint than in the past.[22] On the other hand, Germany is faced with a new burden of responsibility for Europe and with the awareness that, despite power asymmetries, it is more than ever reliant on its partners. In spite of being the most important political and economic player, Germany can lead and mould the EU only together with, and not without or against key partners. The balance and reconciliation of these two exigencies will be a permanent task for German European policies in the upcoming years.

1 Cf. Jürgen Habermas, *The Crisis of the European Union: A Response*, Cambridge; Malden, 2012; Mark Leonard/Jan Zielonka, *A Europe of incentives: how to regain the trust of citizens and the markets*, European Council on Foreign Relations, Policy Brief, June 2012, http://ecfr.eu/page/-/ECFR58_EUROPE_INCENTIVES_REPORT_AW.pdf; *EU democracy in crisis: mired in a perfect storm or rebounding?*, Article by Kirsty Hughes, published in *Open Democracy*, 16.1.2012, www.opendemocracy.net; on the traditional problems of the EU's democratic deficit: Føllesdal, Andreas/Hix, Simon (2006): "Why There Is a Democratic Deficit in the EU, A Response to Majone and Moravcsik," in *Journal of Common Market Studies*, 2006, Volume 44, Number 3, pp. 533–62.

2 Rede von Bundeskanzlerin Angela Merkel zur Verleihung des Internationalen Karlspreises an Premierminister Tusk, Aachen, 13.5.2010 [Laudation Speech of Chancellor Angela Merkel on the Occasion of the Charlemagne Prize 2010 to Polish Prime Minister Donal Tusk, Aachen, 13.5.2010] http://www.bundesregierung.de/Content/DE/Rede/2010/05/2010-05-13-karlspreis.html.

3 According to Germany's Minister of the Economy Rösler, see: Euro calm must not cost price stability: German economy minister, *Reuters*, 17.1.2013, www.reuters.com.

4 Speech by Federal Chancellor Merkel at the World Economic Forum Annual Meeting 2013, Davos, 24.1.2013, http://www.bundesregierung.de/Content/EN/Reden/2013/2013-01-24-merkel-davos.html.

5 At the beginning of 2012 Chancellor Merkel said: "We do feel and show solidarity, but we must not forget that all countries must also act responsibly. You can't have one without the other."; "Deutschlands Kraft ist nicht unendlich," *Süddeutsche Zeitung*, 26.1.2012 ["Germany's capacities aren't infinite," Interview with Chancellor Merkel in Süddeutsche Zeitung, 26.1.2012], www.sueddeutsche.de.

6 For the center-right alliance of Mrs. Merkel, the emergence of a Euro-skeptical is a particular challenge, because such a group would probably absorb some of the voters of the conservative Christian Democrats (CDU/CSU) or the market-liberal Free Democrats (FDP), which make up the coalition. In April 2013 the so-called Alliance for Germany was formed, gathering among others many former CDU and middle-class activists.

7 In the run-up to the December European Council 2011, the German chancellor said that a change to the European treaties would be necessary in order to overcome the crisis of the Eurozone. However, if this would not be possible, special treaties among Eurozone members would also be accepted; cf. Merkel: eurozone crisis will take 'years' to solve, *EUObserver*, 2.12.2011, http://euobserver.com.

8 The Coming EU Summit Clash: Merkel Vows 'No Euro Bonds as Long as I Live,' *Spiegel Online International*, 27.6.2012, www.spiegel.de.

9 Schaeuble Tells Handelsblatt Fiscal Union Comes Before Euro Bond, *Bloomberg*, 5.6.2012, www.bloomberg.com.

10 Westerwelle gegen Schäuble — "Niemals Euro-Bonds" [Westerwelle against Schäuble – "Eurobonds never"], *Die Welt*, 2.7.2012, www.welt.de.

11 Speech by Federal Chancellor Angela Merkel in the European Parliament in Brussels, 7.11.2012, www.bundesregierung.de/Content/EN/Reden/2012/2012-11-07-merkel-eu.html.

12 Regierungserklärung von Bundeskanzlerin Merkel zum Europäischen Rat am 13. und 14. Dezember 2012 in Brüssel, 13.12.2012, Berlin [Government Declaration of Federal Chancellor Merkel on the European Council on December 13 and 14 in Brussels], www.bundesregierung.de/Content/DE/Regierungserklaerung/2012/2012-12-13-eu-rat.html.

13 There are two ways for "narrow" treaty change: Either via the "simplified procedure," which has been applied for primary law adaptation on the European Stability Mechanism (Art. 136 Treaty on the Functioning of the European Union). Anyway, if additional competences are inserted into the

treaties, only the "ordinary procedure," which "usually" involves a convention and an intergovernmental conference, is a possible option. However, also in the case a convention can be skipped, if the European parliament approves so.

14 The final report of September 17, 2012. Final Report of the Future of Europe Group of the Foreign Ministers of Austria, Belgium, Denmark, France, Italy, Germany,. Luxembourg, the Netherlands, Poland, Portugal and Spain, www.auswaertiges-amt.de/cae/servlet/contentblob/626338/publicationFile/171783/120918-Abschlussbericht-Zukunftsgruppe.pdf.

15 Speech by Dr Wolfgang Schäuble at the award ceremony for the 2012 Charlemagne Prize, Aachen, 17.5.2012, www.bundesfinanzministerium.de/Content/EN/Reden/2012/2012-05-17-karlspreis.html.

16 E.g., one of the major differences is a growing gap in industrial manufacturing, where Germany has one of the highest shares in gross value added in the EU (22.6%), whereas France is at the end of the list (10.1%, having lost almost 5% in a decade); cf. Karl Brenke, Industrial Development: France and Germany Drifting Apart, in: DIW Economic Bulletin, 2/2013, pp. 3-13, www.diw.de/documents/publikationen/73/diw_01.c.415236.de/diw_econ_bull_2013-02-1.pdf.

17 Conclusions of the European Council, Brussels, 29 June 2012, EUCO 76/12, www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/131388.pdf.

18 France and Germany reaffirm EU partnership and cooperation, Berlin Declaration. 50th anniversary of the Elysée Treaty, http://ambafrance-uk.org/France-and-Germany-reaffirm-EU.

19 Germany, France to table new proposals for the eurozone, Euractiv, 23./24.1.2013, www.euractiv.com.

20 Buzek on Greece: There can be no solidarity without responsibility, Berlin, 22.3.2010, www.europarl.europa.eu.

21 This idea has been repeatedly emphasized by the French President Hollande. It entails the principle that each deepening of integration should be accompanied by additional efforts to strengthen the social dimension of Europe; cf. Conférence de presse conjointe du Président de la République et de M. Giorgio NAPOLITANO, Président de la République d'Italie, 21.11.2012 [Common press conference of French and Italian presidents F. Hollande and G. Napolitano, 21.11.2012], www.elysee.fr/conferences-de-presse/article/conference-de-presse-conjointe-du-president-de-la-republique-et-de-m-giorgio-napolitano-president-de-la-republique-d-italie/.

22 On Germany's normalization due to the crisis, cf. Simon Bulmer, William E. Paterson, *A Life More Ordinary?Ten theses on a normalization of Germany's role in the EU*, http://euce.org/eusa/2011/papers/2g_bulmer.pdf.