

Good-Bye to Germany's Angela I, Empress of Europe

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By Josef Joffe

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If the U.S. is currently ruled by stalemate -- with polarized parties crippling its Founders' checks and balances -- Germany has too much uniformity and too little contest, which is the lifeblood of democracy.

Consider the numbers in last week's deal creating a new "grand coalition" government. Chancellor Angela Merkel's Christian Democrats, who once billed themselves as conservatives, and the Social Democrats, left of center, will control almost 80 percent of the seats in the German parliament. Imagine what Democrats Harry Reid and Nancy Pelosi would do with such a mega-majority in the U.S. Senate and House. It gets worse.

The Christian Democrats, the "Blacks" in German parlance, and Sigmar Gabriel's Social Democratic Party, the "Reds," are ideologically as similar as the quintessentially blue states of Massachusetts and California. And the opposition? The remaining 20 percent of seats are to be held by the leftist environmentalist Greens and the Left Party, an outgrowth of the East German Communists. That's it -- a wall-to-wall carpet whose coloration ranges from pink to deep-red. The free-market Free Democratic Party and the euro-skeptical "Alternative" never made it past the 5 percent of the vote required for representation in parliament.

Except in wartime, so much ideological conformity is a first in the history of parliamentary democracy. It will pull Germany, the last man standing amid the euro crisis and economic stagnation, to the left over the next four years -- if the grand coalition lasts that long.

POLYSYLLABIC GIBBERISH

The marriage contract, hashed out over two months, runs to 185 pages. It is chock-full of polysyllabic gibberish to offer wiggle room. But in essence, it promises more goodies for most, worth about 23 billion euros (\$31 billion), plus a rollback of the labor market reforms undertaken a decade ago that have blessed Germany with the lowest unemployment among the big European Union countries.

The two-party coalition doesn't threaten new taxes. Instead, to finance their munificence, Tweedledee and Tweedledum are counting on continued growth to expand tax receipts. But they would lower the pension age for some to 63 while increasing benefits for others such as older mothers and low earners. This is sweet, but bad medicine for a rapidly aging nation that produces ever more dependents while defying the biblical injunction to multiply. Germany needs to extend, rather than shorten, working lives.

The bet on manageable deficits rests on continued growth, which is still anemic, though better than in France or Italy. Yet the dice are loaded against growth. To begin with, the Grand Coalition has pledged to push back the low-wage sector. Temporary work, shop-floor agreements and outsourcing to contractors have reduced unemployment among those who couldn't enter or re-enter the labor market — the young, the low-qualified and the long-term jobless. They now face the dole, which means mounting welfare outlays.

To make things worse, there is the newly decreed nationwide minimum wage of 8.50 euros (\$11.50). Such floors don't hurt if they stay below market wages. But, according to Deutsche Bank Research, the German level will be 60 percent of median pay (compared with 38 percent in the U.S.). The bank estimates that job losses will range from 450,000 to 1 million. So much for das deutsche Jobwunder. It is economic folly to decree the same wage in prospering Munich as in impoverished Berlin. Munich will shrug, Berlin will suffer.

So Merkel-Land is looking at stasis, thanks to too much chumminess among the parties. In the next four years, we won't be seeing any more magazine covers celebrating Angela I as "queen" or "empress" of the Continent. Merkel may continue to preach fiscal and reformist virtue to the laggard southern European "Club Med" Countries. But the appeals will ring hollow coming from a chancellor who is sinning against the very commandments she is handing down to her wayward flock. Instead of making the others more "German," that is, more competitive and productive, Germany is becoming more like them.

WEAK GROWTH

Such a metamorphosis may be a perverse bow to "European solidarity," a much-mouthed shibboleth these days, but it won't make Europe shine again. The long view is even more somber. Over the past 40 years, the EU-27 have seen their share of global gross domestic product drop by 9 percentage points, while growth has shrunk, decade by decade, by half a point. For all of the disaster that is Washington, meanwhile, the U.S. is growing in the 2 percent to 3 percent range.

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