



Setting a Legacy: Mrs Merkel and the Future of Europe

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"Worry about going out there and making your own legacy" Floyd Mayweather, Jr.

In the hard knocks world of politics, Angela Merkel looks likely to go down in history, as undefeated in Chancellorship elections as Floyd Mayweather was in the ring. However, her triumph in the late September elections was tempered by the need to form a new ruling coalition to allow her to effectively rule in her eleventh year as Chancellor and beyond. As a student of history, Mrs Merkel will be fully aware of the troubles her political mentor Helmut Kohl ran into near the end of his reign as Chancellor, and will be determined not to repeat these errors.

Fortunately for Mrs Merkel, the current political and economic backdrop for the Eurozone provides plenty of opportunities for the de facto leader of Europe to build this legacy. Whilst the German economy has performed respectably over recent years aided by an export focus, the rest of the region has struggled, political unity has been poor and the criticism of German leadership has been high - and not just in Southern Europe. There is much work for Mrs Merkel to do and the next five years is likely to be the crucial epoch to achieve this.

Of course she has found a willing high level political partner in the form of Emmanuel Macron, the President of France. In a move reminiscent of the famous Mitterrand-Kohl combination of the 1980s and 1990s, the leaders of the two most important Eurozone countries have the opportunity to drive forward the debate on the future of the region at multiple levels. Early signs about this combination are good, with President Macron borrowing much of the tone of the 1990s German labour market reforms in his own efforts to improve the dynamism of the French economy, changes which unsurprisingly Chancellor Merkel has publicly supported.

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The next stage is unlikely to be as naturally cordial however. Particularly in a post-Brexit world, the Eurozone will look to simultaneously reform and pull together - in short try to get closer to the classic Anglo-American ideals on entrepreneurship and building economic dynamism, whilst also acknowledging a greater role for regional payment stabilisers and economic and taxation centralisation. The first half of these policies are likely to be well-received both by Mrs Merkel and the German populace, who have long been exasperated by the actions of many of their fellow Eurozone politicians and citizens. The latter is largely privately supported by the German political leadership but, as shown recently by the slightly lukewarm reaction to an idealistic speech by Emmanuel Macron about the future of the Europe, Angela Merkel will tread a little carefully whilst bedding down her likely new political coalition.

Setting a Legacy(cont.): Mrs Merkel and the Future of Europe

Name of Federal Republic of Germany Chancellor	Date served
Helmut Kohl	1982 - 1998
Konrad Adenauer	1949 - 1963
Angela Merkel	2005 - present
Helmut Schmidt	1974 - 1982
Gerhard Schroder	1998 - 2005

Source: Wikipedia

Of course we have seen all of this before. Compared to America, or even the UK or Switzerland, the German critique of ultra-low interest rates, quantitative easing, banking sector bailouts or even decisive economic support for the 'Club Med' nations over the last seven or eight years, has hurt the overall performance and political stability of the Eurozone. What is noteworthy however - in a policy I call 'German pragmatism' - is that all of the above measures and policies eventually got enacted with the tacit support of the German leadership. At heart a Merkel-led Germany remains inherently pro-Europe and additionally in favour of a stronger, more cohesive and ideally more dynamic Eurozone. The price though, has always been to largely undertake economic policy measures the German way. Whilst the concept of 'aid for reforms' has a lot of logic and fiscal prudence attached to it, unfortunately it has failed to fire up the Eurozone electorate whose multi-generational belief in a closer European ideal has been severely tested over recent years.

Fortunately, some of the more apocalyptic political choice thoughts for 2017 have failed to occur, with populists failing to take control after elections in countries like France and Holland, whilst internal strife in other materially sized Eurozone countries such as Italy has also not bubbled fully to life. Incumbent mainstream politicians have one more electoral cycle to re-inspire the Eurozone electorate. Angela Merkel will need to continue to exercise not just pragmatism but also a greater feeling of momentum to achieve the more

dynamic and more integrated Eurozone she would like. And the best route is by encouraging other countries to look a little bit more like Germany, whilst agreeing with that most un-German policy of loosening the spending purse strings to help ease the transition process.

'Aid for reforms 2' has to be a stronger sequel than the original at both levels, and much more than Angela Merkel's legacy depends on it. ■

KEY TAKEAWAYS:

- There is much work for Mrs Merkel to do and the next five years is likely to be the crucial epoch to achieve this
- Merkel and Macron have an opportunity to drive forward the debate on the future of the region at multiple levels
- 'Aid for reforms 2' has to be a stronger sequel than the original

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