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Bundestag Elections 2013: Consequences for German Capitalism and European Integration

Sebastian Płóciennik[1]

Germany will draw a lot of attention in September 2013 when its citizens will choose a new federal parliament—Bundestag. The reason is not only the fact that the country is a big player but also that it dominates Europe on a scale not observed since the 1980s. Its economic model seems to be the most efficient in Europe at the moment and the country even has enough power to set reform agendas across the EU. Since the biggest changes in German internal and external politics can be expected if the opposition is victorious, it seems important to analyse in advance the key elements of the proposals by the major opposition force: Social-Democratic Party (SPD) and the Alliance 90/The Greens. This could help us understand what kind of change to German capitalism is advocated by these parties and how their election success could affect European integration.

The Pillars of the German Economy

Only a little more than 10 years ago, Germany was called the "sick man of Europe." Paul Krugman, the Nobel laureate, wrote that the country "KANT compete," blaming its rigid, inflexible, Kant-like approach to the reality of the crisis.[2] The numbers were pretty bad, indeed. Germany had one of the lowest growth rates in the 1990s among the OECD countries, unemployment reached five million people in 2003, and annual budgets were balanced only thanks to excessively rising debt.

The weakness was not without consequences for Europe's economy, in particular for the eurozone. Germany's internal problems made it more difficult to pair the euro-enthusiastic time of the 1990s with more integrated economic governance. Even more, it contributed to dismantling the stability and growth pact, which was one of the few barriers against reckless fiscal policy. The German weakness was one of the important factors for the eurozone to remain an unfinished construction zone. The provisional roof started to leak when the crisis came.

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[2] P. Krugman, "Why Germany KANT Compete?," http://web.mit.edu/krugman/www/kompete.html.

The situation today is completely different. First, Germany as a reliable economy is back. It is not enrapturing with high growth, but its plush stagnation of around 0.5% impresses in comparison with the rest of the eurozone. Truly impressive is German improvement in unemployment, which has been at its lowest level for years (around 6%), and its ability to have a budgetary surplus. Most of Europe, ridden in a debt crisis, can only dream about such a state of affairs. The consequences for the continent are massive. Germany is perceived as dominant and with enough power to control economic and political processes on the continent. In his passionate essay, "Das Deutsche Europa" ("The German Europe"), Ulrich Beck, the German sociologist, noticed cuttingly, that we live in times when the German Bundestag decides the fate of Greece.[3]

How has the country come to this point? If one tries to understand the current prowess of the German economy, a look back at the last two or even three decades can be very instructive. In this time, the country has gone through an interesting transformation.

In the 1990s, the French economist Michael Albert labelled post-war Germany as "Rhine capitalism."[4] Simply put, this system was oriented to stability and cooperation. Banks provided firms with long term financing, and the firms allowed bank representatives to be members of their boards. Employment was regulated by branch tariff agreements between trade unions and business organisations, and enjoyed strong protection against layoffs. The same parts developed a highly effective system of skills formation, which provided firms with outstanding specialists. The "Rhine" Germany also offered quite generous social insurance, which encouraged workers to invest in narrow, risky skills.

The system was very competitive in the production of traditional, high-quality industrial goods based on incremental innovations. This is why Germany became such a successful export nation in selling cars and advanced machines. There was only one flaw: those who were not able to be productive and skilled enough slipped into long-term unemployment. After the collapse of communism and with expanding global competition, this problem became a true challenge.

Around the same time, traditional "Rhine" capitalism started to display some new features. Large banks became more globally oriented and less risk averse. *The Economist* discerned this clearly neoliberal transition, calling the Deutsche Bank "a giant hedge fund."[5] Other elements of the system have changed, too. The labour market and collective agreements became more flexible, employment costs dropped, skills profiles widened and became more transferable and oriented to short-term jobs in services. Around 2005, the Hartz-IV-law, a part of the larger reform project Agenda 2010, crowned this transition with the switch from passive to active social policy. The overall effect was a hybrid system in which the old "Rhine" institutions function hand in hand with more flexible, liberal arrangements.

Thanks to this, Germany has not only retained its competitive advantage in traditional sectors of production but also has created less skilled jobs in the service sector. This change has not taken place without costs, however. The terms "underclass," "working poor," "child poverty," "poverty in old age" can describe the phenomena that has infected the German economy. The country today is one of the OECD members with a quickly increasing income gap. Annual average change in the Gini coefficient statistical measurement between the mid-1980s and late-2000s was 0.7% per year in Germany, while the OECD average reached only 0.3%. In old Europe, only Sweden, Finland and UK had higher rates.[6]

How did this transition affect Europe? Without much oversimplifying, one can say that at the same time Germany undertook efforts to reduce labour costs and make the labour market more flexible, other countries enjoyed less expensive credit and booming consumption. Germany took advantage of it by selling them goods and running current account surpluses of up to 7.5% GDP (in 2007). Just to compare, at the same time France's GDP was -1.0%, Italy -2.4%, Spain -10%, Portugal -9.9%, and Greece -14.3%.[7] When the

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[3] U. Beck, *Das Deutsche Europa* [The German Europe], Suhrkamp Verlag, Berlin, 2012, p. 13.
[4] M. Albert, *Capitalism against Capitalism*, London, Whurr, 1993.
[5] "A giant hedge fund", *The Economist*, 26 April 2004, www.economist.com/node/3128013.
[6] Society at a Glance 2011: OECD Social Indicators, OECD, 2011.
[7] OECD Data, *Current account balance of payments as a percentage of GDP*, www.oecd-ilibrary.org/trade/current-account-balance-of-payments_20743920-table5.

crisis broke out, these imbalances became a massive problem. Germany has a ready-to-adjust economy and almost unlimited access to capital, while the others suffer under adjustment problems and lack money. Alain Blinder, a professor at Princeton University and columnist with the *Wall Street Journal*, hit the nail on the head when he wrote that one can " … blame Teutonic efficiency for what ails Europe. The other countries just can't compete."[8]

In this acute asymmetry, Germany emerges in Europe in two roles. First, it is a pattern for economic reforms in other countries. Its hybrid model connecting a traditional, conservative industrial economy with neoliberal social policy seems to be very effective. Just after the financial markets collapsed, Berlin started to promote its "new social market economy" as a model for Europe. Indeed, many countries, such as the UK or Spain are considering the model of the industrial relations of Germany as an option for them.[9] Other elements of the "pattern" are less popular. The export orientation of Germany has been criticised as "unsustainable" and potentially dangerous for the eurozone.[10] The most distinct feature of the German model has become, however, its fiscal prudence. The golden way out of the crisis led, in the eyes of Chancellor Angela Merkel, through cutting state expenditures and balancing public budgets. Germany is now indeed among the few countries on the way to reducing the public debt.

Second, Germany is the only country that has the potential to "save" the eurozone economy. From two substantial options—boosting demand with coordinated spending in order to stimulate growth, or promote fiscal austerity in order to stabilise the economies in the debt crisis—Germany engaged in the latter. At the beginning, the choice seemed to bring success: Volker Kauder, a high-ranking official of the CDU, said in 2011, a bit arrogantly, that "Europe speaks German" now in financial matters.[11] However, since that time the German method has lost its appeal. The crisis-ridden countries slumped into a deep recession, blaming Berlin for that. The last stroke was the embarrassment caused by mistakes in calculations in a study by American economists Kenneth Rogoff and Carmen Reinhart, which had been used as a kind of empirical evidence for austerity. The German position has remained generally unchanged, mainly because it fears transfers to Southern Europe on a scale resembling German re-unification 20 years ago. This is why a hard "nein" is heard whenever there is a whiff of a rise in transfer solidarity in projects such as a banking union. As a matter of fact, Europe is drifting today with Germany as a "reluctant hegemon"[12] waiting until austerity brings its long-expected effects.

The outcomes of the September elections are thus the more important, because they might change the pattern of Germany capitalism as well as bring new approaches to the European economy.

Designing a New Pattern of Capitalism: The Red-Green Programme

The German debate on economic policy is shaped today by two contradicting phenomena. On the one hand, the economy of the country is in its heyday, enjoying low unemployment, a slight budget surplus and relatively stable growth. On the other hand, the crisis of capitalism is on everyone's lips and Europe's malaise is its best example. Facing lesser economic restraints than other countries and being aware of the systemic crisis, Germany can be a breeding ground of new political ideas.

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[8] A. Blinder, "The Eurozone's German Crisis," *The Wall Street Journal*, 13 December 2011, http://online.wsj.com/article/SB10001424052970203430404577094313707190708.html.

[9] "Deutsches Modell: Spanien hofft auf Los Azubis" [The German model: Spain pins hopes on Los Azubis], *Der Spiegel*, 24 February 2012, www.spiegel.de/wirtschaft/soziales/deutsches-modell-spanien-hofft-auf-los-azubis-a-816987.html.

[10] A.S. Posen, "Deutschlands Exportsucht zerstört die Euro-Zone" [Germany's export addiction destroys the eurozone], *Die Welt*, 14 June 2013, www.welt.de/wirtschaft/article117134282/Deutschlands-Exportsucht-zerstoert-die-Euro-Zone.html.

[11] "Außenspiegel: 'Berlin muss mehr Flexibilität zeigen'" [Berlin must demonstrate more flexibility], *Der Spiegel*, 18 November 2011, www.spiegel.de/politik/ausland/aussenspiegel-berlin-muss-mehr-flexibilitaet-zeigen-a-798622.html.

[12] "The reluctant hegemon," *The Economist*, 15 June 2013, www.economist.com/news/leaders/21579456-if-europes-economies-are-recover-germany-must-start-lead-reluctant-hegemon.

This is what the two parties are trying to do. SPD wants to return to its old profile of a social party and move aside the experience of Agenda 2010. The Greens, who have already achieved one of their old postulates of an Energiewende, would like to become a big tent party, visible in other fields of social life. Theses ambitions are displayed in three important areas: a new balance of power between the market and state, social issues, and goals of economic growth.[13]

Making the State Stronger, the Financial Sector Weaker

The first distinct idea that emerges from the programs is a will to reduce the role of the financial sector. Both parties plan to nail it down through strict regulation of banks, investment funds, hedge funds, managers bonuses, consumers protection, etc. SPD wants to revive the idea of a tax on capital transactions and ban speculation on nutrition and food products. The banks themselves should separate their classical loan-credit business from investment activities. Taking into consideration the fact that German banks have been traditionally universal banks, this sounds like a courageous demand. Reform plans go even further. The Greens want to impose on banks a *Schuldenbremse* ("debt brake"): their own capital ratio should not be lower than 3% of their balance sheet by 2017. Another restriction would be a European banking union with joint supervision and a special savings fund collected from bank contributions. All of this shows clearly that SPD and The Greens want to scale down the sector.

The vacuum left by the financial institutions would be filled by a renewal of the economic role of the state. It should be able to pay back its debt through higher tax revenues and start shaping the economic system. SPD in particular wants to refer to the golden age of *globalsteuerung* (a German version of Keynesian economic policy) from the end of the 1960s, when the state actively prevented imbalances in economy, e.g., by regulating wage policy, boosting domestic demand, etc. This active approach concerns today the European level also. Instead of the fiscal constraints of Merkel, both parties want to create a bad bank for the debt of the Southern European economies and coordinate government spending in a new political and economic union. There are also other ambitious projects: tax and wage coordination, a joint ratings agency, Eurobonds, the banking union, a joint investment fund and a permanent European Monetary Fund replacing the European Stability Mechanisms. It all looks like a decisive step towards a federal state with pooled responsibility for economic development in Europe.

The third element of the new strategy—but not least important—is strong support for small companies. The traditional *Mittelstand* ("middle class") and micro-sized companies should become the main bearers of growth and employment, dethroning big business. Both parties have prepared legal and financial incentives for startups, social entrepreneurship, and cooperative movements. The sector should enjoy protection thanks to "market watchdogs," new institutions designed to control large, dominant companies and guarantee fair competition. This concession to small business is used to attract more conservative groups of voters. In saying "we are the liberals," Jürgen Trittin, one of the leaders of The Greens,[14] flirts with the adherents of FDP. And he has a chance.

Social Redistribution Expanding

SPD and The Greens agree that the rising inequalities should be met with a reasonably paid job and higher level of income redistribution. The most distinct example of this approach is tax policy. Both parties want to increase burdens on the rich, arguing that this is unavoidable in the face of high public debt, which must be reduced, and the necessity to invest more in education and infrastructure.

Surprisingly, more radical ideas come from the urban middle-class party, The Greens. They entice (or scare off) voters with a basic tax-free allowance at the level of €8,700 (currently €8,130) and significant tax relief for up to €60,000 in income. Above this margin, The Greens want a 45% tax and even a 49% tax on income

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[13] The Greens, "The election programs: Grünes Wahlprogramm 2013," 6 May 2013, www.gruene.de/partei/gruenes-wahlprogramm-2013.html; SPD, "Das Wir entscheidet. Das Regierungsprogramm 2013-2017" [The We decides. The government program 2013-2017], 13 April 2013, www.spd.de/95466/regierungsprogramm_2013_2017.html.

[14] J. Trittin, "We are the liberals! Freiheit fuer Alle!" [We are the liberals! Freedom for all!], *Die Welt*, 15 June 2013, www.welt.de/politik/deutschland/article117141994/We-are-the-liberals-Freiheit-fuer-alle.html.

above €80,000 (at the moment, the rate is 42% above €52,882 and 45% above €250,731). The rich would also be forced to pay higher taxes under a proposal to end joint taxation with a spouse, which privileges wealthy families with non-working spouses. The columnist Jasper von Altenbockum labelled these proposals as "more left than the Left."[15] The bigger partner, SPD, is indeed more conservative in this context, although it also wants to increase burdens. Its plan is to tax incomes above €100,000 at the rate of 49% instead of the current rate of 42% and 45%. SPD is also less radical towards joint taxation with a spouse. In general, the new income tax policy of SPD and The Greens would, according to the Rheninish-Westphaelische Institut fuer Wirtschaftsforschung (RWI-Essen), add additional burdens for taxpayers of €5,4 billion in 2014.[16]

A similar approach—taxing the rich—can be seen towards capital revenues. SPD and The Greens see this type of income privileged in comparison to income from labour, thus they simply want to restore equal treatment. What does it mean? First, tax exemptions for "single interest groups" should be reversed, for example, for hoteliers (the so called *Moevenpick-Steuer*), rich heirs, or on "golden handshakes" for managers. Second, The Greens expect the inheritance tax to rise significantly and to introduce a net wealth tax of 1.5% for individuals and companies on assets higher than €1 million. The Social Democrats support this idea too, but try to avoid details, stating only that the tax should be at a "reasonable level." Both parties actually face the same dilemma: how to spare smaller companies and families from the higher burden. SPD talks about allowable deductions and exclusions of family real estate. The Greens promise that companies will pay not more than 35% of their profit. The third area is the fight against tax fraud and offshore banking. Both parties want to strengthen the tax investigation authorities or even enact a separate federal tax office. The scandal around Uli Hoeness, the president of the football club Bayern Munich, who faces charges that he tried to hide his income in Switzerland, makes this area politically very attractive for SPD and The Greens.

The redistributive approach is also evident in their proposed labour market policy. Both parties have brought into the debate the idea of a universal minimum wage, so far a rather foreign body in German capitalism. It would be set up at the level of €8.50 per hour. Another big issue in labour market policy are the wages of subcontracted workers. The Red-Green coalition aims to enforce regular employment and the rule of equal pay for the same work, so this will significantly reduce the attractiveness of subcontracting. It is quite evident that this step strengthens the position of trade unions, which still try to enforce wage demands through traditional branch tariff negotiations and see subcontracting as a threat. Another tribute paid by SPD to trade unions is the announcement that foreign companies in Germany should introduce co-determination schemes, allowing workers to participate in the management of their companies These measures altogether should lead to higher wages and higher consumption, thus to the envisaged growth. There are, however, many sceptical voices whether these expectations are well-founded. The renowned Institute fuer Wirtschaft in Cologne (IW Koeln) predicted in an analysis in 2011 that that a minimum wage of €8.50 could bring €5 billion euro of fiscal relief, but only if there would not be any negative effects for the labour market. Since that is quite improbable, the researchers see costs up to €6.6 billion in the mid-term.[17]

Higher spending and redistribution also motivates both parties in the social policy area. According to The Greens, the benefits for long-term unemployed (named ALG II) should increase from €382 now to €420. Their way back to employment should be made easier thanks to expansion of a "secondary" labour market

[15] J. von Altenbockum, "Linker als links. Das Wahlprogramm der Gruenen" [More left than the Left. The election programme of The Greens], *Frankfurte Allgemeine Zeitung*, 2 May 2013, www.faz.net/aktuell/politik/harte-bretter/wahlprogramm-der-gruenen-linker-als-links-12168620.html.

[16] *Mehr Gerechtigkeit: Was steht zur Wahl. Eine mikrodatenbasierte Analyse und Kommentierung von Programmaussagen der Parteien zu Änderungen des Tarifs der Einkommensteuer unter dem Gesichtspunkt der fiskalischen Auswirkungen. Projektbericht* [More social justice: what is to choose? A micro-based analysis and comments on tax rate changes included in the election programmes of the political parties with consideration of their fiscal effects. Project report], Rheinisch-Westfälisches Institut für Wirtschaftsforschung Essen (RWI Essen), 27 May 2013, www.insm.de/insm/dms/insm/text/ presse/pressemeldungen/2013/rwi-wahlanalyse-einkommensteuer/RWI-Projektbericht%20Einkommensteuer%20Wahlanalyse.pdf.

[17] N. Horschel, H. Lesch, "Fiskalische Kosten eines gesetzlichen Mindestlohns" [Costs of a statutory minimum wage], *IW Trends*, April 2011, www.etracker.de/lnkcnt.php?et=lKbSM9&url=http%3A%2F%2Fwww.iwkoeln.de%2F_storage%2Fasset%2F58151%2Fstorage%2Fmaster%2Ffile%2F458836%2Fdownload%2Ftrends04_11_1.pdf&lnkname=trends04_11_1.pdf.

with job placements supported by public means. SPD devotes particular attention to poverty in old age. It wants to introduce a unified level of pensions in the whole country until 2020 with the aim to support poorer citizens in the New Laender of former East Germany. A more radical measure is, however, a new tax-financed "solidarity pension" of €850 for those who have paid contributions to the public pension insurance for 30 years and have been members for 40 years—assuming that they have not earned enough to collect contributions for a reasonable pension. In addition to that, people who have paid contributions into the public insurance scheme for 45 years can enjoy retirement at the age of 63 without cuts in their pension. The Greens propose a similar scheme, in which even 30 years of membership in GRV entitles one to the "solidarity pension." In other areas of state social policy, and in healthcare and nursing care in particular, both parties has insisted for years on the idea of universal insurance, which includes all citizens and all income sources. This step marks a shift from the traditional, segmented insurance system of "Rhine" capitalism to a more unified one, resembling Scandinavian solutions.

Last but not least, is family policy, important due to its tie to demography. Here as well we can see the logic of its inclusion to the labour market and support for the poor. The leading question is how to support families who need to reconcile parenthood and career. Up to now it is hard to herald success. The fertility rate of German women in 2009 amounted to 1.36, while in France it is 1.99 and in the United Kingdom is 1.94.[18] Both parties demand changes and want to cancel the newly introduced *Betreuungsgeld* ("child care subsidy"), which, generally speaking, "pays" parents for bringing up children at home. Instead of it, the state should focus on the expansion of kindergartens and day-care stations. The Greens add that there should be a legal claim for parents to take advantage of this type of care. Another measure by SPD intended to make the lives of parents easier is "family part-time employment," which allows them to switch temporarily to reduced working time. Apart from that, parents should enjoy more financial support. All measures should be integrated into one scheme for poorer families. For a family income below €3,000, the child benefit would amount to €324 instead of the current €284 (coming from two measures: the child benefit—Kindergeld—and the supplementary child allowance—Kinderzuschlag). In the future, any kind of support should be dependent on the level of income: richer families will lose tax allowances. The Greens go generally in the same direction.

Not only is higher redistribution blatant in the proposals by SPD and the Green but also both parties stress an active role for the federal state in financing the social policies of local organisations and in regulating markets in order to reduce negative social effects. A good example is their idea to constrain the rental property market, which has made the headlines in the last two years with excessively increasing prices. SPD wants rental costs in new contracts to not exceed 10% of the local average. In existing contracts, rents would be allowed to rise by only 15% within four years. Another measure planned to curb the costs of rentals is massive investment in social housing.

Towards "Green Growth"

Both SPD and The Greens stress the need to redefine German's goals of growth: it should focus not only on expansion of production (expressed in GDP), but include more factors such as environmental sustainability and quality of life. In this way, they want to enforce proposals included in, for example, the report of the Enquete Commission of the German parliament.[19]

The most debated area of the new approach is "green growth," or more specifically, Energiewende—the switch to renewable sources of energy. It was turned into German policy by The Greens, but only after the Fukushima disaster did it manage to move from the noble margin to the mainstream. The process of reducing the role of oil, coal and nuclear plants in favour of wind, sun and water energy, is an enormous challenge. Even if it were possible to create clever regulations, the risk remains high, particularly for the competiveness of Germany industry, the public budget, and for poorer citizens, who can hardly afford rising

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[18] *Society at a Glance 2011—OECD Social Indicators*, OECD, www.oecd.org/els/social/indicators/SAG.

[19] *Enquete-Kommission, Wachstum, Wohlstand, Lebensqualität – Wege zu nachhaltigem Wirtschaften und gesellschaftlichem Fortschritt in der Sozialen Marktwirtschaft* [Growth, Welfare and Quality of Life—ways to a sustainable economy and social progress in the social market economy], Gutachten 2011–2013, www.bundestag.de/bundestag/gremien/enquete/wachstum /gutachten/index.html.

prices for energy. So enthusiasm and an awareness of the dangers of these proposals go hand in hand in the election programmes.

To begin with the enthusiastic part, both parties want to reduce CO_2 emissions almost completely by 2050. Such a radical shift can be possible only if the German economy would be based on renewable sources, such as wind and sun. Their share of energy production would reach 50% in the next decade. The rest would come from biomass power plants and the gradually diminishing coal sector. A complete switch to renewables would happen around 2030. Transition periods are foreseen for sensitive sectors only, such as transport, agriculture and forestry. New fossil sources, such as shale gas, are considered with scepticism. The Red-Green group would pursue a moratorium in order to wait for proof that there are no threats to the environment from fracking. Nuclear energy is out of consideration by both parties, and the only question is the timeframe for a complete exit from nuclear power (expected in 2020–2022).

How to Organise and Finance Energiewende?

For many years, renewables have enjoyed massive subsidies. They will be necessary in the future, however the Greens want to start gradually cutting the privileges for large industry and support more households by, e.g., supporting ecological renovations. In general, market coordination, where prices follow from free competition between providers, should become dominant. The first step on the way must be the radical abolishment of any subsidies for environmentally questionable business activities. Examples include removing tax exemptions from ecological taxes (*Ökosteuer*), air transport taxes, diesel and heating oil taxes, as well as the use of large company cars. If all the changes will be enacted, there is a chance, say The Greens, that the free market will make the production of green energy efficient and affordable.

SPD is less optimistic about that than The Greens and favours more traditional, state-led regulation. The party seems to be concerned about the competitiveness of traditional industry. Prices for energy should be affordable—both for businesses and for households. This is why the provision of renewable energy will have to enjoy long term subsidies. The role of market mechanisms can be strengthened only if new technologies enable lower prices and the sector is ready for competition. To speed up this process, SPD wants to create a public company—Netz AG—which would centralise the whole network of green energy providers and invest in connections between consumers and new offshore parks. The whole process would be coordinated by a new federal ministry for energy.

Conclusions

Should the Red-Green coalition come to power and seriously carry out its programme, it seems quite likely that Germany would change its pattern of capitalism. The conservative approach of the current CDU/CSU-FDP coalition, led by Chancellor Merkel, would be replaced by both an ambitious and expensive project. It would shift the state back to the centre of economic life by reducing the role of the financial sector, extensively taxing higher incomes in order to boost redistribution, regulating the labour market through a minimum wage, and speeding up the green revolution. An important part of the changes would be the dispersion of economic power by strengthening small companies. This difficult project, deserving the label of "green welfare state," is a play for high stakes. It can make Germany a true leader in economic innovations if it succeeds. But it can also deprive the country of competitiveness and blow up public finances in case of failure. The question is whether the countries of Europe that have undertaken harsh reforms in order to put their finances in order and which have even copied some of the approaches of the German model would be interested in sharing that risk. There is a chance that Germany would again become a type of capitalism that is like its cars—admired, but too complex to be copied.

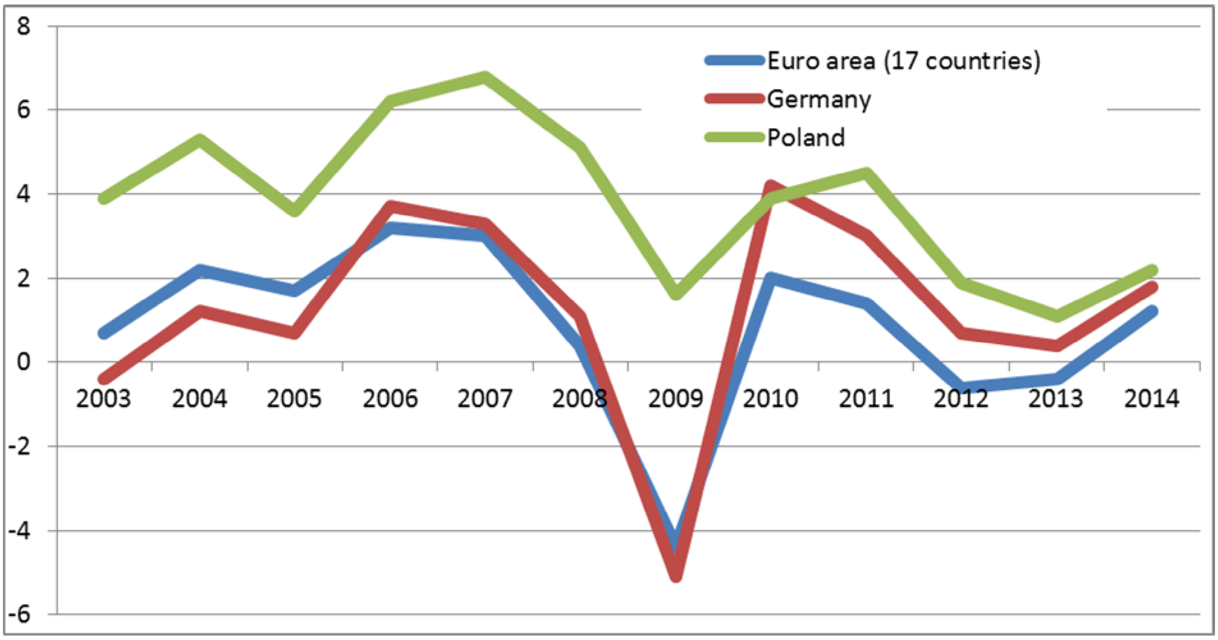
Second, the Red-Green agenda would definitely mean a shift in the European policy of Germany. Up to now, Europe has taken the cautious approach of Merkel with fiscal prudence a priority and reluctance towards any deepening of integration, which would initiate new transfers in Europe. It is to be expected that the opposition would change this strategy in some crucial areas. Fiscal prudence would still be expected since this point is universally considered by Germans to be very important. However, at the same time Berlin will profile its expansive social policy as a contribution to strengthening the sickly demand in the eurozone. It would be backed with some additional initiatives, such as investment funds for eurozone provinces and restructuring public debts. Summing up, demand-driven growth would be the means for a quick recovery from the crisis. The only restriction is that the growth would be combined with solid structural reforms and stabilisation of public finances in crisis-ridden countries. So, it would be a *quid pro quo* strategy: we will boost your economies if you start reforms.

Another change in the European politics of Germany would be much stronger engagement in deepening integration. In fact, many points of the Red-Green agenda on the national level will hardly work without supranational rules. Thus, Berlin would give up its cautious attitude towards such ideas as the banking union—recently a symbol of Germany's passive role in Europe. The integration probably would go much deeper and include such issues as fiscal and tax coordination, employment standards, and green growth. It is not only a new form of Euro-enthusiasm pushing Germany to take these steps but also concern about how to make its own reforms of capitalism effective and still protect the competitiveness of its companies. A logical end to the process is a kind of economic government in the EU. Nial Fergusson, the British historian, expects that after the election in September, Germany will try to enforce a "Bundesstaat Europa,"[20] no matter what party wins the campaign. However, if the SPD and The Greens are among the winners, the chances that this scenario becomes reality would be higher than under any other outcome of the elections.

[20] "Die Endstation ist klar – Bundesrepublik Europa" [The final destination is clear—a Federal Republic of Europe], *Die Welt*, 10 June 2013, www.welt.de/116988581.

Statistical Appendix

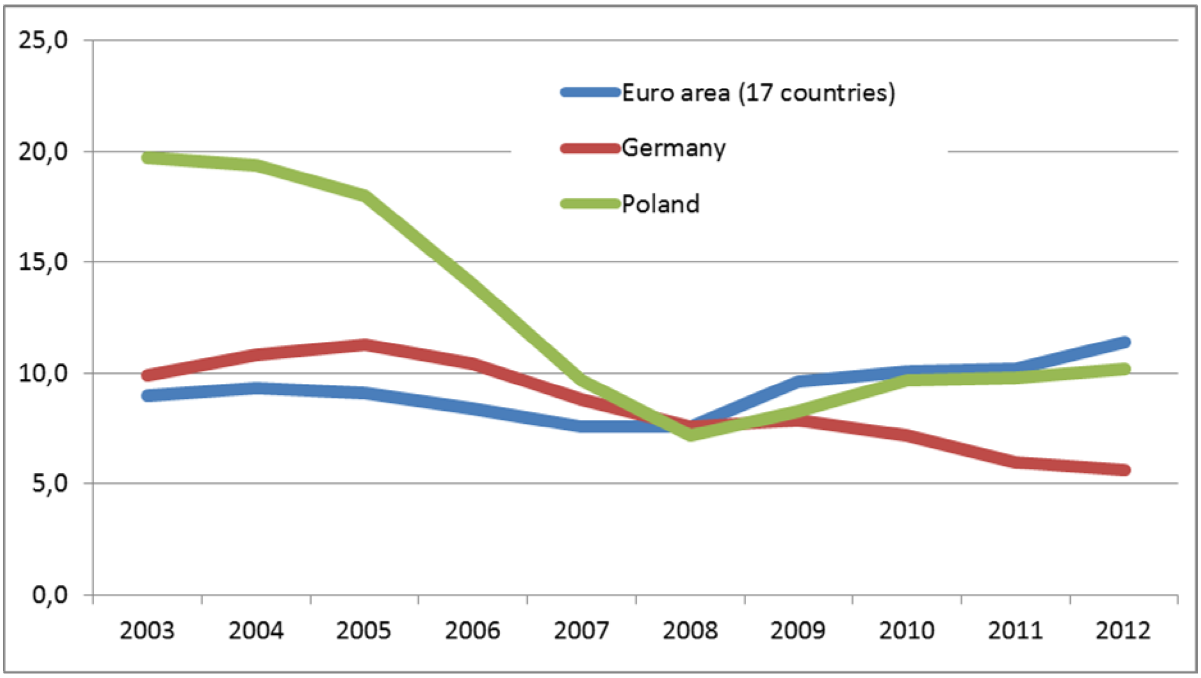
Graph 1. GDP growth in Germany, Poland and the Euro-17 Area, 2003–2014*



*2013–2014: forecasts

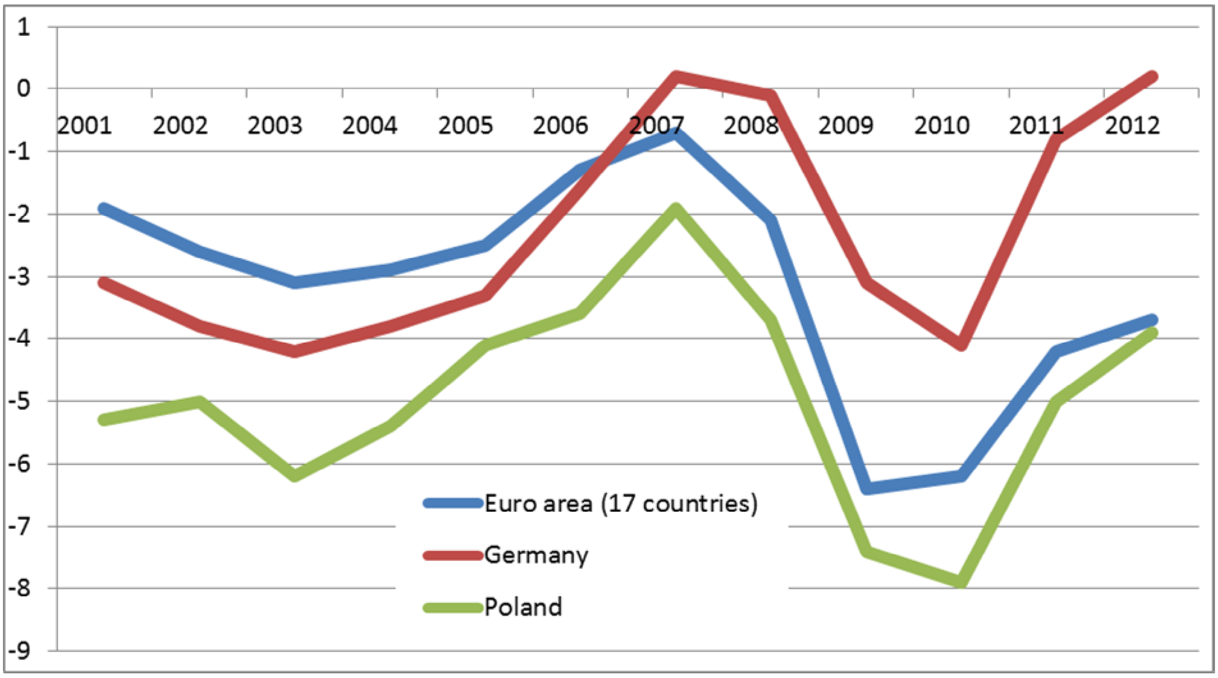
Source: Eurostat.

Graph 2. Unemployment in Germany, Poland and the Euro-17 Area, 2000–2012.



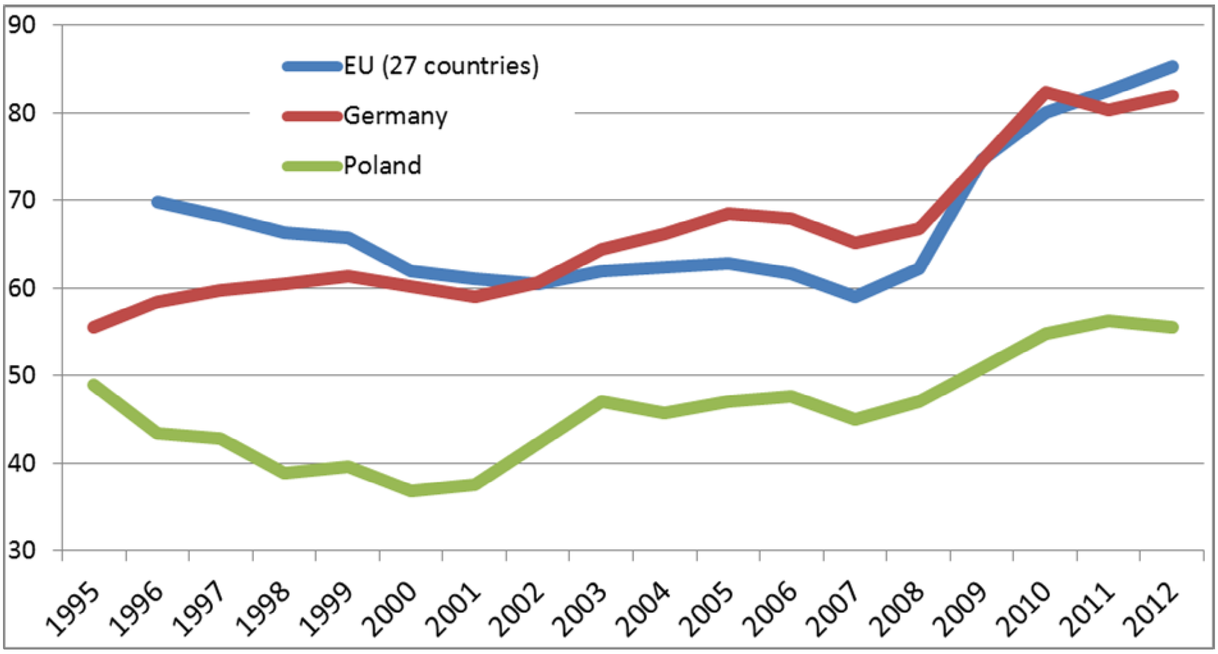
Source: Eurostat.

Graph 3. Government Deficit/Surplus in Germany, Poland and the Euro-17 Area, 2001–2012, in Percent of GDP.



Source: Eurostat.

Graph 4. Public Debt in Germany, Poland and the Euro-17 Area, 1995–2012, in Percent of GDP



Source: Eurostat.