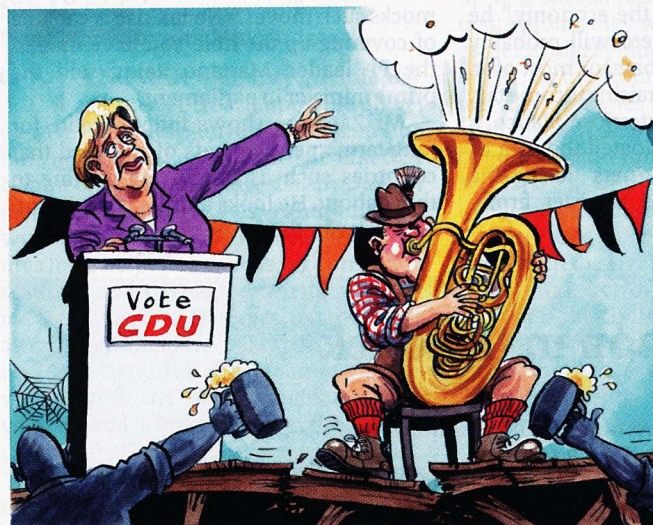


Charlemagne | Germany's oddly vapid election

Why Germany is dangerously complacent about its social-market model



AT A guess, the target audiences for visionary economic thinking and oompah music do not overlap much. So one should not be too hard on Angela Merkel for the smug and introspective election address she delivered in a Bavarian beer tent on September 7th during a campaign visit to the “Keferloh Monday” country fair. Flanked by musicians in lederhosen, the German chancellor told her audience that the economic crisis had proved the superiority of the country’s post-war model, in every way. Germany was not like America where 50m people had no health insurance, she told the crowd. From Konrad Adenauer to Helmut Kohl, wise German leaders had balanced freedom with security, and wealth with social solidarity.

If the global financial crisis had reached Germany, that was the fault of greedy bankers. Europe would demand tough new rules in financial markets. And Germany was and would remain an export champion, Mrs Merkel assured her audience: indeed, it should export its “social market economy” to the world.

Bavaria is a tradition-minded place. But the problem is that Ms Merkel has been delivering similarly vapid speeches around the whole country. The main slogan of her Christian Democratic Union (CDU) is the boosterish, content-free “We have the power”, with the “We” superimposed on a German flag.

The CDU is set to win the elections on September 27th though the polls are tightening. Yet she did not mention her chief opponent (and current coalition partner), Frank-Walter Steinmeier, by name; nor did she really attack the policies of her rivals on the left, though she would rather end her awkward “grand coalition” with Mr Steinmeier’s Social Democrats (SPD), and form a government with the pro-business Free Democrats (FDP). Christian Schlemmer, a farmer listening to Ms Merkel’s speech, was unworried by the lack of partisan fireworks. If voters were angry, he said, it was with the banks, “not the politicians”.

All this makes for a funny sort of German election, and one that has consequences for the wider European Union. A year after the credit crunch reached Europe, the focus of EU leaders has turned from crisis management to planning for the future. Clever, bold ideas are sorely needed. Europe had much to ponder before the crisis, from ageing populations to energy security. The crisis has only increased the urgency of some existential ques-

tions. For instance, is a “European model” based around open borders, free trade and generous welfare systems sustainable in a globalised world? The crisis has exposed acute new questions, such as how to marry Europe’s cross-border single market for finance with the reality that only national governments can and will step in when things go wrong. Any proper European debate will need to hear Germany’s answers to those questions. Yet its politicians are shunning real debate—until election day at least.

The German people are in a “very unusual” mood, says Werner Weidenfeld of the University of Munich. Past elections involved clashes of ideas and angry finger-pointing between the big parties. In the 1970s, recalls the professor, voters turned out in record numbers to cast their verdicts on Willy Brandt’s entente with the Communist east. In television debates voters used to ask leaders about the “society of tomorrow”. Today, they have “zero” interest in such lofty questions, inquiring instead about optimal levels for health-insurance contributions. In the depths of the biggest economic crisis in 70 years, many Germans feel that their country has weathered the storm well.

There are several plausible explanations for Germany’s undramatic election. One is political calculation. The two biggest parties have been in coalition for four years, and can hardly savage their own record. Because Mrs Merkel looks set to remain as chancellor, the SPD and FDP have been reduced to painting each other as dangerously extreme coalition partners for her.

More positively, Germans have grounds to feel their government acted to protect them when the crisis broke. Short-time work schemes have preserved many jobs. A car-scrapping scheme, much copied elsewhere, kept vehicle sales afloat and thrilled car-mad German voters. The fear is that big problems have been postponed until after the elections. Because of skills shortages before the crash, firms did not want to shed staff, says Kai Carstensen of Ifo, a research institute. But short-time schemes are expensive: in the first quarter of 2009 unit labour costs in industry rose by about 25%, thanks to subsidies paid to idled workers. Businessmen admit in private that they have postponed sackings in order to avoid boosting the left-wing vote, says Prof Weidenfeld. In Brussels senior EU officials fret that horrors still lurk in parts of Germany’s banking system: nobody knows, because the German government has kept the real situation secret.

Don’t be so smug

Psychology helps explain Germany’s complacency. It is easy for voters to hear that financial turmoil was brought about by un-German greed. A sense of relief also accounts in part for Germans’ calm in this economic storm, when recessions usually leave them so gloomy. Nobody knows if the country is over the worst, but early fears of job losses were not realised. Add *Schadenfreude* to the emotional mix: Germans would have to be saints not to cheer, just a bit, the crisis engulfing rivals like Britain, whose leaders used to sneer about continental stagnation.

Alas, this crisis is deeper than German politicians admit. Germany’s social-market model still faces severe tests. It is specious to boast that it should be exported widely, even within Europe: Germany’s combination of wealth, wage discipline and post-war obsession with consensus is pretty unusual. Cosy, smug introspection may be right for a Bavarian country fair. Elsewhere, though, it is time for Germany’s leaders to debate real ideas. ■