THESIS COLLECTION

for the Ph.D. thesis of

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New German hegemony in Europe

Germany's position of power in the European Union after the 2008 economic crisis

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1. Research background and rationale for the choice of topic, relevance

The outbreak of the economic crisis in 2008 and its aftermath can be seen as a watershed that for the first time highlighted the need to correct the financial, economic and institutional system of the transatlantic alliance system that had been established after 1989-90. The crisis has shaken the optimism of the post-bipolar world order in the lassaize-faire, Anglo-Saxon model of the market economy, eroded confidence in the institutions that regulate the functioning of banks and financial markets, and amplified voices around the world that predict the decline of US global leadership and the 'twilight of the West' in general.

The collapse of the global financial system had a number of collateral and indirect consequences, which are still being felt more than ten years after the crisis began. In the period since the crisis, the behaviour of economic actors has been characterised by a fundamental sense of caution, waiting and reduced confidence. The changes have also affected the political system, with the primacy of traditional left and right parties being challenged in many western countries and the rise of new parties that challenge the status quo and seek to remedy the problems by regulating the 'old' political and economic elites and markets through protectionism. In its analysis published in October 2018, the IMF pointed out that in the preceding ten years, a significant number of developed countries had experienced deteriorating demographics, rising income inequality and declining labour mobility.[1] In addition to these general trends, of course, there are also a number of differences even across countries in the same income bracket. Countries with disciplined fiscal policies and tighter banking regulations before the crisis suffered significantly less collapse. Flexible exchange rate regimes helped to exit the crisis, and countries that pursued countercyclical economic policies and helped to stabilise their financial system through unconventional means such as capital injections and the extension of government guarantees were able to recover quickly after the recession. The focus has been on market economy models - in particular the German social market economy - that have been able to mitigate the social costs of the crisis through effective state involvement and ensure transparency in financial markets.

The crisis has also had a significant impact on the transatlantic relations system. Differences in development have widened, and growth prospects vary widely between Western countries and between Europe and the United States in general. The United States, through active Keynesian economic policy instruments, has finally been effective in stabilising the US

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[1] The studies and their summary in blog form on the anniversary of the crisis are available at: https://blogs.imf.org/2018/10/03/lasting-effects-the-global-economic-recovery-10-years-after-the-crisis/

economy and putting it on a growth path after the Obama administration took office. Today's economic and social policy challenges in the US, which have also been linked to the election of Donald Trump, are more related to the challenges of the fourth industrial revolution and China's growing international influence than to the direct consequences of the 2008 recession. The Biden administration, which will take office in 2021, has inherited these challenges from its predecessor, exacerbated by the coronavirus epidemic. The new US administration is considering different policy options from its predecessor, but not enough time has passed to assess them.

But the picture in the European Union was different. In dealing with the euro crisis, which erupted shortly after the collapse of international financial markets in 2008, in early 2010, only the break-up of the eurozone was prevented, and no deep reform of European economic governance was achieved. The crisis has also reinforced the centre-periphery divide within the euro area and highlighted a number of conflicts of interest among Member States sharing the single currency. When the sovereign debt crisis erupted, it became clear that the EU's common institutions did not have the right powers and capabilities to deal with the crisis. The introduction of the single currency was not accompanied by the development of a protocol that could be automatically applied in the event of a crisis. The difficulties in coordinating the competences left in the hands of the individual Member States and the application of common economic policy instruments have highlighted the fact that, at the current stage the economic integration is not sustainable in the long term and that the single currency cannot be preserved without the euro area becoming an optimal currency area.

These specificities of the euro area's functioning have led to the crisis management process being conducted through intergovernmental negotiations and ad hoc agreements between Member States that do not lead to Treaty change. In addition to the lack of a legal basis for the common institutions, time was also a factor that favoured the direct intergovernmental negotiation method, as in the case of Greece, for example, the negotiations on the bail-out packages were conducted under the shadow of the imminent threat of sovereign default. And as power-centred, state-centred politics in the classical sense of the term came to the fore, Germany increasingly took on the role of dominant power.

Shortly after the 2008 crisis spilled over into Europe, there were already many signs that Germany's role in the EU was undergoing fundamental changes and that the 2010s could be the "German decade" in Europe.

In the decade and a half following reunification, the integration of the eastern Länder into the West German economic mainstream absorbed most of Germany's financial resources and political capacity. In the meantime, the country had accumulated an acute competitiveness handicap that could only be remedied after the turn of the millennium. Afterwards, however, there was a growing tendency for Germany, having gradually abandoned its 'altruistic' role in the Cold War power structure and the initial phase of European integration, to behave as a 'normal state' in European politics. The assertion of the interests of the nation state, a more assertive expression of the country's political interests and, at times, a separation from 'pan-European' interests, gradually became part of German politics. And a package of competitiveness-enhancing and stabilisation measures implemented in several stages in the early 2000s, known collectively as the Hartz reforms, gradually restored the country's economic performance. Germany was thus able to cope with the 2008 crisis with outstanding success, and its economy was much less vulnerable to the crisis than other developed Western countries.

At the same time, there has long been a serious debate in Europe about the extent to which following the traditional principles of the German social market economy is beneficial, and even possible, for countries whose economic and social structure, export potential and competitiveness differ significantly from the core countries of the continent. In other words, is it possible to prescribe as a universal 'recipe' everything that has made Germany successful over the past decade? Are the EU Member States, which have been hit harder by the crisis, in difficulty because they have strayed from the 'German way'? Or, on the contrary, have the common European economic institutions, which incorporate many elements of the German model, failed to provide them with a suitable framework for economic development and stabilisation? Several analysts (including *Bibow*, 2017; *Cohen,* 2017*)* point out that Europe would benefit from a greater role for a growth-oriented Keynesian approach alongside the ordoliberalism favoured by the prevailing German governments. In this context, one of the biggest questions for the near future is: which developmental direction will some models of Western market economies take, will new paradigms in economic policy prevail in Europe and even globally?

The 'German question' as a fundamental economic, geopolitical and institutional challenge has thus once again become the defining issue for the future of Europe, culminating in the management of the euro crisis. The key question is to understand and analyse exactly what role Germany played in this process: what internal and external factors allowed it to become dominant, what did it mean and what did its 'leadership' consist of, and ultimately, can it be said to have behaved as a hegemonic power?

To explore this in depth requires a new theoretical approach. Functionalist and neofunctionalist theories have long played a dominant role in the analysis of European integration. These theories start from the premise that linkages between non-state actors (e.g. trade) in specific policy areas are the main drivers for the emergence and development of regional integration, including European integration. And beyond a certain point, the linkages become so intense that they spill over into an increasing number of policy areas, independently of the will of the states themselves.

In my opinion, however, recent developments justify a different theoretical background for this dissertation. The general revaluation of the role of nation-states in the European Union and the question of German hegemony are phenomena that require a theoretical framework in which state-centred approaches play a prominent role, which examine the role of states in regime- and institution-building and in the operation of institutions. Accordingly, the theoretical background of my thesis is essentially provided by realist and neorealist, neoliberal theories of institution and regime building and functioning, and, in particular, by hegemonic stability theory. These can be used to properly analyse the incentives and disincentives for the role of states and the state interest in the process of European integration.

The European Union could take very different paths depending on how Germany's position develops in the coming years, and the extent to which it can and will want to influence the decisions that will determine its future. This will also depend to a large extent on the development of the German domestic political balance of power, which has recently undergone a significant transformation, with the rise of the radical right and the weakening of the traditional parties.

Equally, developments within the EU and in the EU's external environment will play a crucial role. Among the former, the role of France and whether the new Franco-German agreement will be able to catalyse the process of European unity should be highlighted. Among the many global factors affecting the functioning of the EU and Germany, one of the biggest questions at the moment is how the new Biden administration's foreign policy will change, whether it will depart from the path of unpredictability, closure and trade war-mongering. At the time of writing, the United States appears to be returning to the path of closer transatlantic cooperation. But an analysis of this is beyond the scope of this dissertation.

It is almost a truism in the history of European unification that deepening integration and transferring further powers to common institutions requires that the leading powers in the Community - above all Germany and France - are able to define clear, common goals. However, it should be borne in mind that this can take many forms and is influenced by a myriad of external and internal factors: the economic position of individual states, the interaction of domestic and foreign policy processes, the constraints or inhibitors of the global environment and, in the case of the European Union, the influence of the common institutions. This paper attempts to answer this complex question in the context of Germany and the European Union.

2. The methods used

The central question of this dissertation is how Germany's position of power was transformed during the economic crisis of 2008, the euro crisis and the subsequent five-year period, when the migration crisis and the acute threat of Greek bankruptcy radically changed the political agenda of the European Union. In this thesis, I seek to shed light on both the key political and economic aspects of this process and their interaction, placing them in an appropriate theoretical and historical context. The analysis is structured along these lines in the following main chapters. After outlining the theoretical and historical background, I will analyse Germany's crisis management and the economic, domestic policy and domestic economic consequences of the 2008 crisis, followed by a description of the country's European institutional environment and finally an outline of the institutional and policy pillars of the sovereign debt crisis management. Of particular importance in this context is the evolution of Franco-German relations and the different theoretical and political approaches of the two countries to crisis management strategies. Finally, I will discuss in detail the bilateral political and economic relations between Greece, the country most affected by the sovereign debt crisis, and Germany, which was crucial in determining whether Germany would play its role as European hegemon. In conclusion, I will evaluate the hypotheses and discuss the extent to which Germany's position in Europe should still be assessed in the former conceptual framework after the end of the Merkel era and the transformation of the German domestic political balance of power.

The theoretical framework of the thesis is built around theories of hegemony, especially the theory of hegemonic stability, which draws from two major schools of international relations theory, the institutionalist liberal (neoliberal) and the realist-neorealist theories. In outlining the theoretical background, I will first focus on the historical context in which each theory emerged, and then on their findings on the operational features of the international system. The presentation of the origins of the theories also contributes to a critical contextualisation of their applicability to contemporary European conditions and to the assessment of Germany's position within the EU. In the chapter, I also review academic works that examine Germany's role as a modern European hegemon.

In presenting the historical background of the topic, I will go back to the German reunification and the fall of the Iron Curtain. The German reunification was a milestone in the history of European integration, which placed Germany's relationship with the other European states on a new footing and transformed the institutional foundations that governed this complex relationship after 1945. The changes that took place at that time, in particular the Maastricht Treaty of 1992, had consequences that are still felt today, as the conditions for the introduction of a common European currency were laid down. The other two central themes of the chapter are an analysis of the internal political and economic challenges of reunification, which led to Germany being increasingly referred to in the international press as the 'sick man of Europe' by the end of the 1990s. Finally, the chapter concludes with an analysis of the Hartz reforms, the most important milestone in modern German political and economic history, which marked a turning point in the evolution of Germany's position in Europe and in German domestic politics.

In order to understand the causes and consequences of the economic crisis and the euro crisis, it is crucial to analyse the economic, institutional and political environment that was partly responsible for the crises and into which they have "arrived". In the next section of this paper, I will attempt to illustrate this with a European focus and a global perspective. The period from 2000 to 2008 can be described as a period of 'stagnation' in terms of the deepening of European economic integration, marked among other things by the failure to ratify the Constitutional Treaty and the breakdown of Franco-German cooperation. The global influences on the European Union, particularly the policy of the United States, were more focused on global security problems and international terrorism, and did not exert any stimulating pressure on the European Community in this area.

In the central chapter of the dissertation, I will examine the impact of the economic crisis on Germany and the euro area, followed by the process and characteristics of crisis management. I also discuss the link between the two crises and why the common European currency proved to be particularly vulnerable following the collapse of the US financial system. This process will be presented mainly from the perspective of institutional functioning and economic policy choices. In analysing the process of crisis management, I will bring together the reasons why some Member States were less affected and others more affected, and I will discuss in detail the decisive role played by Germany in this process. In a separate sub-section, I also touch on the characteristics of the so-called Rhineland model of the German economy and of the market economy in general, its paradoxical role in the European economic system in many respects and its reflection in the functioning of the crisis management institutions (EFSF, ESM).

Finally, turning to the challenges of the present, I will look at how crisis management has transformed Germany's position within the European Union and, conversely, what impact Germany's role in crisis management has had on the process of European integration. This interaction has not left German domestic politics untouched, where the emergence and considerable success of the radical, Eurosceptic right has challenged an unspoken consensus in post-WWII German politics: that no party can sit in the Bundestag 'to the right' of the Christian Democratic CDU. Today, the rise of a critical New Left and Green political agenda has significantly altered the normal balance of power in German domestic politics.

Hypotheses and main research questions

Following the chapters on the theoretical background and historical antecedents of the topic, I will put forward two main hypotheses. *My first hypothesis is that the pursuit of the principles of a social market economy (ordoliberalism) has reduced exposure to the crisis in Germany.*

The historical roots of ordoliberal economic policy go back more than a century and a half in German-speaking areas. The economic policy model, which is a special combination of free market principles and various historically changing elements of state regulation, was a decisive factor in the outstanding German economic growth of both the late 19th century and the post-World War II economic miracle ('Wirtschaftswunder'). The model is thus characterised by a high degree of historical continuity, with constant elements such as an extensive social safety net that encourages activity, strong and transparent banking regulation, and strict competition, inflation and fiscal rules. The spread of ordo-liberalism in continental Europe can be said to have been generalised since the second half of the 20th century and is inseparable from the European single currency, whose institutional architecture has also left a significant mark. The application of elements of the German model has never been without controversy, and the extent to which it benefits the periphery or semi-periphery beyond the 'centre' countries, which have a strong export sector, is still debated. But there are now also those who question the long-term benefits for Germany of rigid adherence to certain elements of the model.

However, the fact is that this particular economic policy, and in particular the competitiveness stimulus measures implemented by the Schröder government in the early 2000s (the so-called Hartz reforms mentioned above), may have greatly reduced Germany's exposure to the 2008 crisis.

In order to prove the validity of my hypothesis, I mainly use an analysis of German macroeconomic data and indicators from the early 2000s to 2010, as well as the economic policy decisions related to the crisis management. A key issue for the central thesis of this dissertation is how the evolution of German economic policy has influenced German European policy and ultimately how it has affected the European Union as a whole. A not negligible aspect is that the Hartz reforms were the first step in the transformation of German party politics. The Social Democratic Party, the initiator of the package of measures, repositioned itself from the left to the liberal centre of the political spectrum. The CDU, led by Angela Merkel, which came to power in 2005 and which itself supported the reform package from the opposition, has also made a centrist turn in a number of other areas, notably social and environmental.

The consolidation of the big parties in the political centre has left room for the gradual strengthening of more radical, anti-elitist, socially left-wing parties (Die Linke, Grünen) and the emergence of a new, radically right-wing, Eurosceptic grouping, the Alternative for Germany (AfD). The pressure exerted by radical parties at both ends of the political spectrum has forced successive Merkel governments, which have been very adept at dominating the political centre, to constantly balance the handling of the economic crisis, which has now spread to Europe, and the euro crisis. However, it has now become a relevant question as to how the hitherto predictable German European policy and power position, and thus the European integration process as a whole, will be affected if the rise of the smaller anti-establishment parties, and in particular the AfD, is not halted.[2] Not to mention their interaction with the

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[2] Infratest Dimap, among others, has published a detailed analysis of the shifting political balance of power in Germany and the evolution of political trends following the 2017 federal elections. It also discusses the reasons for the rise of the radical right and its geographical distribution. https://www.infratest-dimap.de/umfragen-analysen/bundesweit/wahlreport-deutschland/2017/

external challenges facing the EU (Brexit, unpredictable US trade and defence policy in the Trump era).

My research aims to demonstrate that Germany was the only European power with the economic and financial means and resources to deal with the spill-over effects of the two crises and to prevent the spread of the crisis, and that this ability led it to set the rules for the European Union's crisis management mechanisms and the conditions for providing assistance to states in crisis.

The main challenge for German economic policy in this context is to cut the Gordian knot, which can be described as follows: Germany is both the cause and the solution to the crisis. For Germany, the Rhineland model of capitalism has provided the right framework for crisis management. However, its economic supremacy, and hence its leading role in overcoming the sovereign debt crisis, also means that it has been able to impose its own principles, which have often made crisis management difficult for the eurozone countries in crisis. To test this hypothesis, I analyse in detail the proposals made by the German and French governments to address and resolve the crisis in the long term since the outbreak of the sovereign debt crisis in January 2011. In the related chapters of this thesis, I will basically adopt two methodological approaches. For the negotiation processes of crisis management, I use the organizational process model of *Foreign Policy Analysis (FPA), an* established approach in international relations theory, as presented in detail by the Jackson-Sorensen authors (*Jackson-Sorensen,* 2016*).* For the overall assessment of the German role in crisis management, I examine whether Germany fulfils its role as hegemon and whether it realizes the theoretical criteria of hegemonic stability.

The analysis related to the second hypothesis also rests on two pillars. The first would explore the German positions in the bilateral and multilateral intergovernmental negotiations in the European Council and the political motivations behind them, i.e. it would focus specifically on the assertion of German financial and political interests, *especially the changing dynamics between the German and French governments.*

The second pillar would examine the institutional implementation of crisis management. As it is known, the European Union institutions set up separate crisis management teams to deal with the Greek debt crisis and then the Spanish, Italian and Irish property and banking crises. The relevant ministers of the European Council and the so-called Troika, which brought together representatives of the European Commission, the International Monetary Fund and the European Central Bank (ECB), developed crisis management packages for the countries concerned in several waves. In the course of the crisis management, the need to institutionalise certain mechanisms gradually emerged, leading to the creation of the Luxembourg-based European Stability Mechanism (ESM), which provides assistance to euro area Member States with financial imbalances through buying bonds. In reviewing the rules and operating principles adopted by the old and new EU institutions, I would like to examine to what extent and in which areas they reflect specifically German political and economic interests and principles.

Both hypotheses raise some further theoretical questions about the functioning of European integration in general, which I will try to answer at the end of this paper. If we accept that the differences in market economy models and economic policy traditions in the EU Member States are one of the reasons for the stagnation of economic integration, can we say that convergence of models is a prerequisite for economic integration to become stable? To what extent is it possible today to separate the foreign and domestic policies of individual EU Member States, and where does 'European policy' fit into this system? Where did the role of institutions, regimes and nation states in crisis management begin and end? Finally, it will also provide an opportunity to critically examine the extent to which theories of hegemony are appropriate for assessing current developments in the European Union.

Based on the above hypotheses, the intended aim of the thesis is therefore to investigate whether Germany's advocacy and leadership potential is indeed unilaterally exercised in the European Union from 2008 until the outbreak of the migration crisis in the area of economic and monetary policy-making, with a view to subsequent developments, especially in relation to Greece. On the other hand, it will also critically examine the principles governing the functioning of the Economic and Monetary Union. The extent to which these principles and rules can serve the process of European unity and whether they are capable of achieving a higher degree of integration.

3. Conclusions and hypotheses fulfilment

The aim of the introduction segment of this paper is to examine how Germany's position of power changed during the global economic crisis of 2008 and the sovereign debt crisis in Europe in 2010-2011, and in the period afterwards, mainly from an economic perspective, and how this affected the functioning of European economic governance, with a particular focus on the handling of the Greek sovereign debt crisis.

The theoretical framework for this study was provided by the theories of hegemony associated with the realist, neorealist and institutionalist liberal schools of international political theory on the one hand, and by one of the dominant continental European schools of economic policy and capitalism in international political economy, ordoliberalism, also known as Rhine capitalism. The central thesis of the analysis is that the characteristics of ordoliberalism, strongly determined by the German historical experience, have fundamentally shaped German economic policy and the framework of thought within which the country's leadership has taken decisions since the Second World War, including in Europe. The spirit of the Rhineland model has thus determined not only German economic policy but also, through it, European economic processes.

The first hypothesis of the paper is that the pursuit of social market economy principles (ordoliberalism) has reduced exposure to the crisis in Germany.

In the period leading up to the 2008 economic crisis, the implementation of the *Agenda 2010* reform plan from 2003 to 2005, led by a Social Democratic chancellor and adopted with the external support of Christian People's Parties, shifted the overall centre of gravity of German party politics to a more political one, a more market-oriented, less redistributive direction than before, dusting off the traditional theses of Erhardt's economic policy (on which see the fourth sub-chapter of this thesis) from the former consensual leftward shift towards a gradually increasingly unsustainable welfare state.

The reforms, introduced in four phases, were aimed at restoring labour market flexibility, putting the social security system and social assistance on a sustainable path, including a reduction in unemployment benefits, longer working hours and compulsory participation in training programmes, among others. In its second phase, it merged social and unemployment benefits and provided for the application of the principle of rights and obligations in determining eligibility for benefits, as well as promoting part-time and flexible forms of employment.

The principle of "hilfe zur selbsthilfe" or "help to help ourselves" and putting and keeping budgets on a sustainable path are traditional principles of the Rhine model, and this adjustment has underpinned a much more stable economic position before the 2008 crisis. As a result of the reform, unemployment fell radically from a record high of 12 percent in 2005 to below the euro area average by the end of 2007 and has remained below the euro area average since. Since 2009, economic growth has consistently exceeded the euro area average (see Figure 5), unemployment rates have been extremely low not only by European but also by global standards (see Figure 6), and inflation developments have remained below the euro area average.

The crisis management in 2008 was therefore characterised by a cautious, wait-and-see approach, although the country's banking system was not as badly affected by the crisis, due to the more conservative focus of the banking network on domestic corporate lending. In the end, a two-step market stabilisation law was sufficient, guaranteeing bank deposits and providing for voluntary recourse, under strict conditions, to the stabilisation and recapitalisation fund set up. Later, as the crisis deepened, indirect incentives for consumption through tax cuts were also favoured, with a radical €24 billion tax cut programme in 2009. Both the pre-crisis reforms and the spirit of crisis management were in line with traditional ordoliberal principles and their implementation has been instrumental in lifting the country's economic performance above the European average. The main challenges today are still basically the extremely export-oriented economic structure, which does not sufficiently stimulate domestic consumption, and the demographic challenges, which have been somewhat transformed by mass migration, but which still exist. Overall, however, the hypothesis is justified.

The second hypothesis of the paper is that the 2008 global economic crisis and the 2011 sovereign debt crisis ushered in an era of German hegemony in the European Union.

In examining the second hypothesis, the focus can be identified in three main areas: the political bargaining that led to the creation of the crisis management institutions, the role and functioning of the institutions created, in particular the European Stability Mechanism, and the bilateral and European institutional relationship of Germany, identified as the supposed hegemon, with Greece, the country most affected by the crisis.

Overall, in the German-French relationship under particular scrutiny, it can be said that the differences in economic policy philosophy between the two continental powers are particularly evident in the theses on the future of Europe presented by Emmanuel Macron after his inauguration in 2017, which, in their main thrust - calling for European solidarity and deeper fiscal integration - can be seen as both much bolder and more outspoken than his predecessors, while at the same time fitting into the economic policy tradition he had followed before. The Troika's compromise solutions for crisis management can be seen as a replication of the Franco-German compromise, both in terms of the European Financial Stability Facility and the European Stability Mechanism.

The European Stability Mechanism can be seen as an intermediate, hybrid institutional solution to the crisis, which has basically fulfilled its role in avoiding a default in Greece and preserving the unity of the eurozone, contrary to all the predictions to the contrary, which have been considered in the academic community. Despite two attempts to do so, the organisation has not yet become a formal institution of the European Union and, although it is referred to in the Treaty on the Functioning of the European Union, it remains an intergovernmental treaty governed organisation. In the recapitalisation of the European Stability Mechanism, Germany was by far the largest contributor to the creation of the financial fund, but it remained reluctant to play any role as a lender of last resort.

As for the relations between Germany and Greece, it should be stressed that they have never been of significant importance in bilateral trade, export-import relations, and the Greek economy is extremely closed by European standards. Its dramatic debt levels, which were already high when it joined the eurozone, would have caused a severe recession even if the country had been able to recycle its own currency during the sovereign debt crisis, thus 'freeing' itself from the grip of the Troika and restrictive crisis management.

Overall, we can conclude that Germany's current economic and economic policy role within the European Union does not correspond to a classical hegemonic actor, which considers the global role of the United States after 1945 as an ideal instance, even if we apply the criteria of hegemony only in a limited way, exclusively to the economic sphere. The recent deconstruction of the concept of hegemony, as reflected in the approaches of *Loriaux (1992)* and *Pedersen (2002)*, justifies a limited, semi-hegemonic position: Germany, although it has so far refrained from taking the lead in transforming European economic integration into a genuine risk community, has been an optimal currency area, but its socio-cultural and economic-philosophical influence has been felt throughout the crisis management period, up to the present day, through the common European institutions. Whether the nature and spirit of this influence can change will be one of the central questions for the development of European economic integration in the coming decades. With its extremely export-oriented economic structure and its conquest of new global markets, coupled with consistently maintained fiscal stability, the country appears to be an unshakeable guarantee of its own growth. From an economic point of view, there is no evidence of any economic trend or economic policy intentions that would suggest that the country is making efforts to become a market for products from countries on the periphery of the euro area, thus helping to fill the gap in economic cohesion within the euro area. This, however, shows that one of the most important components for a hegemonic role is missing in the country's behaviour.

The year 2021 will be identified as the end of the Merkel era in German public life, after the Chancellor, who has led the country at the head of various coalitions since 2005, announced that she will not stand for re-election. According to the latest polls (June 2021), the vast majority of those polled see the outcome of the elections as uncertain and the competition between the parties as open. Politbarometer's survey shows an unusual trend in party support, with the Greens making a significant advance - the party led by Annalena Baerbock is the second most popular party after the CDU-CSU alliance with 29% support, while the Social Democrats are significantly behind with only 14% support. The liberal FDP and the radical right-wing populist AfD have stabilised their popularity at 10-10 percent, while the radical left-wing Die Linke can expect 7 percent, according to currently available figures. This popularity ranking of the parties could result in an unusual coalition composition - Christian Democrats dominated by Greens - and the protracted negotiations that are common in German politics. [3]

Within the CDU, Armin Laschet, who is part of the Chancellor's alliance and currently the most popular candidate for Chancellor with 46% support according to Politbarometer, while symbolising continuity, has attracted attention during the eurozone crisis by calling for an open debate on the creation of a full European risk community, in a departure from the CDU mainstream, and is seen as a Francophone who supports Macron's European policy proposals. *(https://www.epc.eu/en/publications/More-of-the-same-but-different-Why-Laschet-should-reform-the-CDUs-E~3ab164)*

This may also offer a chance to move towards a more cohesive European Union and, together with the Greens' advance, may mean a partial abandonment of fiscal orthodoxy and a shift in the political agenda. At the same time, German investment and trade flows show a remarkable constancy, an almost determinate rigidity, illustrated by the constant export surplus that the German corporate sector seems to be accumulating in some global markets - currently the markets of China and the United States - as shown in the last chapter of this thesis. It is safe to say that the survival of ordoliberalism is taking place not because the German political elite wishes to regulate its own society and economic life in this way, partly as a result of historical experience and trauma, but because the interests of the German business elite are preventing this system, which in many respects needs to be corrected from a European perspective, from changing.

[3] On the popularity of parties and their leaders and other current German public trends, see: https://www.zdf.de/nachrichten/politik/politbarometer-bundestagswahl-corona-vierte-welle-100.html?slide=1624593321348

To avoid this becoming a source of further tensions within the European Union, the solution is either the creation of a truly complete fiscal and monetary union, i.e. a de facto united European state, or a traditionally assumed hegemonic role, which assumes the position of the ultimate creditor. The real damage will be done by a half-hegemony that combines its competitive advantage with an extremely export-driven economic structure and a reluctance to finance and build institutions. This is one of the most serious dilemmas of European integration, which will have to be resolved in the coming years, even if it is periodically overshadowed or seems to be successfully masked by partially effective transitional institutional solutions.

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