The Merkel Years

For the first time, the Chancellor's leadership is in serious question.

By Klaus C. Engelen

At the end of October, as almost ten thousand refugees each day were crossing the Austrian border into Germany, Chancellor Angela Merkel informed her European counterparts that her country this year will have to cope with a million refugees.

This brought back memories of what happened to Merkel's predecessor, Gerhard Schröder, after he put forward his bold Agenda 2010 reforms. Some in Germany's political and media establishment point out that by insisting on far-reaching economic and social reforms, the former Social Democratic Party chancellor lost a large portion of SPD voters and eventually his chancellorship. Will something similar happen to Merkel and her open-border agenda because her voters revolt against the flood of refugees? There is a big difference, some argue sarcastically, because unlike Schröder and his reform agenda, "Merkel doesn't have a plan."

The *Financial Times* has already run the headlines, "The end of the Merkel era is within sight" and "Merkel opens door to her opponents," arguing: "The chancellor surprised the EU with her 'Welcome Syrians' approach to the migration crisis. But with dissent rising among her backers and voter support shrinking, is she sowing the seeds of her own political demise?"

Let's recall events. On March 14, 2003, Schröder, leading the coalition government of the SPD and the Greens, gave a speech in the German Bundestag outlining far-reaching reforms such as cuts in social security and unemployment payments. That upset his voters and caused an uproar among Germany's trade unions who had fought to put him in power. Schröder's reform agenda also included a radical reform of the welfare system (Hartz IV) a year later. Millions of workers who retired early in the major company restructuring lost their expected higher unemployment

Klaus Engelen is a contributing editor for both Handelsblatt *and* TIE.

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220 I Street, N.E., Suite 200
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Phone: 202-861-0791 • Fax: 202-861-0790
www.international-economy.com
editor@international-economy.com

Syrian refugees and migrants pass through Slovenia on their way to Germany in October 2015.

support, and instead had to line up with those who had never worked to get basic welfare payments. Most of these SPD members never again voted for the SPD.

As *The Economist* observed at the time, "The leader of the opposition, a little-known physicist from east Germany called Angela Merkel, derided [the reforms] as unambitious. But it soon became clear that the agenda would transform Germany's labor market." These reforms also brought about a major reduction in unemployment and made the German economy much more competitive.

WHAT A DIFFERENCE A DAY MAKES

Only a few months ago, Merkel, 62, could claim the undisputed title of Europe's dominant political figure. She had an important role in negotiating the Minsk deal to defuse the disastrous military conflict in the Ukraine after President Vladimir Putin's Russia annexed the Crimea in a blunt disregard of international treaties. As central player in months of turbulent negotiations with highly indebted Greece, she had succeeded in keeping the euro monetary union together and avoiding a risky Greek "exit" by supporting a third €86 billion rescue operation. Having been re-elected twice as Germany's leader and playing a key role not only in Europe but also in the G-7 and G-20, she was considered one of the most influential world leaders.

What a difference a day makes. Merkel gave the signal to open the borders for Syrian and other asylum seekers.

As a pragmatic, cautious, middle-of-the-road decision maker, she made sure to stay at the top in three coalition governments by adopting essential parts of her partners' agendas or by adjusting to shifting trends. For example, after battling the introduction of a minimum wage for years, she now heads a coalition with the SPD that enacted a minimum wage law. Some CDU/CSU party members are alarmed that she is "social democratizing" her conservative political base.

Merkel's prospects for a fourth term in 2017 looked bright until recently. There was talk of "Merkel forever." The chances for the SPD rival, Vice Chancellor and SPD party leader Sigmar Gabriel, by contrast looked so bleak that Torsten Albig, the SPD state governor of Schleswig-Holstein, stunned the political scene when he suggested: "His party might be better off campaigning in 2017 to remain Merkel's junior partner rather than to replace her since Merkel is doing an excellent job."

All may have changed on September 4, 2015, when Merkel—apparently following her humanitarian impulses—gave the signal to open the borders for Syrian and other asylum seekers that were massing on the way from Austria to the German entry points. After telephone calls with Austrian Chancellor Werner Faymann on "the present emergency situation on the Hungarian border," Merkel made the historic decision that thousands of migrants traveling by bus, train, or foot across Austria could continue their journey into Germany. Austrian Foreign Minister Sebastian Kurz warned that "the migrants' plight and the growing human cost was a 'wake-up call' for Europe to resolve its biggest refugee crisis since World War II." But soon the German newsmagazine *Der Spiegel* would publish the headline: "Mother Angela: Merkel's Refugee Policy Divides Europe."

Merkel had indeed made a momentous decision with enormous collateral damage. Her move affected not only Germany but all twenty-eight member states of the European Union with their 509 million citizens, since people can travel freely within the European Union. She made this decision without consulting her political allies and coalition partners. She did not even get a green light from Horst Seehofer, leader of the strongly conservative Christian Social Union, who governs the state of Bavaria that is bearing the brunt of the migration inflow.

Even worse, she did not consult with the European authorities. They act as guardians of the Schengen Agreement, watching over the borderless Schengen area and the Dublin III Regulation that determines the responsibility of EU members to examine the applications of asylum seekers asking for international protection under the Geneva Convention and the EU Qualification Directive. Changing the EU asylum policy to an open-border policy without Brussels' backing was a strategic blunder. Berlin's unilateral action has now been used by other European governments as an excuse to stay on the sidelines and to oppose the Brussels plans to distribute the refugee masses within the European Union, especially out of border countries such as Greece and Italy and into other EU members with small refugee numbers.

Merkel's bold decision came after her Berlin government for years practiced a policy of "benign neglect," sticking to EU immigration policies that exposed border countries such as Italy and Greece where the refugees landed from sea and—under Dublin III rules—had to be registered at these external EU border points. Merkel as head of a coalition government not only cut the financing of Operation Mare Nostrum—the Italian-led marine rescue program that after November 2014 was replaced by Operation Triton under the EU Frontex border agency. Her government also participated in massive UNHCR food cuts to the camp refugees despite legions of German legislators visiting the refugee camps in Jordan, Lebanon, and Turkey. This eventually caused masses of refugees to flee toward the European Union. As in the run-up to the banking and euro crisis, the German government under Merkel failed to react to problems in a timely manner before they could escalate into a crisis.

Merkel made a momentous decision with enormous collateral damage. She made this decision on her own. She did not consult with her political allies and coalition partners.

In the age of internet and mobile phones, after ignoring the national and European laws about letting in the refugees from war-torn lands, the German chancellor had sent a powerful welcome message to refugees, especially in the Middle East refugee camps. All over the region, Merkel appeared as "Europe's Mutti" for asylum seekers from Afghanistan, Syria, and northern Africa.

But for more and more of her voters in Germany, Merkel's sudden switch to an open border policy soon looked like a threat to their communities and to their way of life. What especially caused alarm was that the authorities seemed to have lost control over thousands of incoming

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Why the Right Is Furious

Angela Merkel

German Chancellor Angela Merkel's government only needed forty-five minutes of debate to ratify the law that transferred executive bank supervisory powers from the German Federal Financial Supervisory Authority (BaFin) to the European level.

As Sharon Bowles, the British Liberal Democrat, pointed out, from a historical perspective, the vote was "a bigger loss of sovereignty" for countries taking part in the European banking union than the introduction of the euro.

Germany will be marginalized by ever more powerful bureaucratic decision makers at the European level. Imagine if in less than an hour the sovereignty and control forever over Wall Street or the City was transferred to a supranational institution such as the United Nations with a voting system of one vote for each member nation. No wonder in Germany the political right—as we see in the refugee catastrophe—is raising its ugly head.

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asylum seekers that had not been registered but were moving around in Germany and maybe already in other European countries.

Cities and communities are now showing signs of strain from masses of refugees. Initially, the image of volunteers welcoming the refugees at the Munich train station bolstered Germany's image, but now inside Germany the anti-Muslim movement gets stronger by the day. In former East Germany—with Dresden's populist movement Pegida at the center—anti-immigrant sentiment is growing. *Der Spiegel*'s headline is "Flames of Hate Haunt a Nation." Right-wing extremists in Germany commit attacks against places housing asylum-seekers on a daily basis.

A SLAP ON MERKEL'S FRIENDLY FACE

In Munich, Bavaria's CSU coalition partner Horst Seehofer immediately condemned the "refugee welcome policy" as a "mistake," suggesting the chancellor could lose control over the inflow. "I see no possibility of putting the genie back into the bottle." Seehofer accused Merkel of allowing a "state failure" with unforeseen consequences to happen. As the main arrival point for refugees, Bavarian towns and communities are bearing a much greater burden than other regions. And long before the current crisis, the CSU had urged the Berlin government to put in place tougher migration controls.

Seehofer sent an "ultimatum" to Merkel to come up with an immediate halt to her open-border policy. He urged the speedy erection of registration centers at the border to sort out those newcomers not getting asylum under present laws. Otherwise, he warned, the Bavarian state would come up with "emergency measures" at the border.

As an affront to Merkel, Seehofer—whose standing in the polls is rising while Merkel's high numbers are falling—invited Hungarian Prime Minister Viktor Orbán to visit. Orbán shocked the European Union's political elites by rushing to build border fences. His border fencing policy is now followed by other countries in the area including Slovenia. Even in Austria, the conservative coalition partners are contemplating erecting border fences and frontier transit facilities on the so-called "Western Balkan route."

Merkel so far is sticking to her open-door policy. "If we have to apologize for showing a friendly face in an emergency, then this is no longer my country," Merkel shot back in the direction of Bavaria. "We can do it" is Merkel's confident message to the German people so far. But as she crosses the country discussing the refugee crisis at town meetings, Merkel doesn't hide that she is deeply worried. She admits there still isn't a European agreement on how to share the refugee burden. There is no deal yet with Turkey to slow the inflow of refugees. She deplores that there is a lack of "order" and "control." She admitted she is concerned that there is the danger of losing the center in the population that supports the country's social consensus.

For the first time in years, Merkel's leadership is being questioned. One of her party rivals, Norbert Röttgen, who chairs the Bundestag's foreign affairs committee, told the *Financial Times:* "It affects the foundations. It's about the state and our identity. Many people see both are being threatened." And with respect to what it means to the European Union, Röttgen warns: "The failure to show solidarity over refugees is the biggest failure of Europe so far and it will affect the stability of the Europe in the future."

Inside Germany, the anti-Muslim movement gets stronger by the day. In former East Germany—with Dresden's populist movement Pegida (left) at the center—anti-immigrant sentiment is growing.

FROM KOHL'S MÄDCHEN TO EUROPE'S LEADER

Soon Merkel will have served a decade as chancellor of the Federal Republic of Germany. On November 22, 2005, she was elected to head a grand coalition with the Social Democrats, followed by a coalition with the liberal Free Democrats in 2009, and again with the SPD in 2013.

After seven men as chancellor since World War II, Merkel is the first woman to hold that office. The rise of a pastor's daughter who had been trained as a research physicist under the East German communist regime, and who entered politics only after the fall of the Berlin Wall in 1989 and the turbulence of German unification, was indeed extraordinary.

For some, the Merkel era began in 2005, when she beat Gerhard Schröder in the general elections. It was the beginning of a chancellorship that started out on unsure footing. Merkel not only had to defend herself against the Social Democrat Schröder, who lectured her on the evening when he lost the election that she never could be chancellor. She also had to fend off the numerous macho enemies in her own party who were waiting for the right occasion to knock off "Helmut Kohl's Girl."

How did Merkel succeed in rising to power and making sure that she stayed at the top? She knew early on how to get ahead with bold strokes. In late 1999, when Kohl found himself mired in scandal over CDU campaign finances, a letter written by Merkel appeared in the *Frankfurter Allgemeine Zeitung* arguing it was time for the party to move on without her political mentor. Since Wolfgang Schäuble (now her finance minister) also got caught up in the scandal, the way was cleared for her to be elected the party's chairwoman in April 2000.

Talking about her ten years as German chancellor and today's refugee crisis, Merkel watchers point to other instances when the pastor's daughter from East Germany acted more on a personal impulse than on her well-known cautious, middle-of-the-road deliberate *modus operandi.*

Der Spiegel noted recently: "But for all her hedging, Merkel's ten years in the Chancellery have regularly been punctuated with short, sharp shocks of clarity, when her political grounding and mindset bubble to the surface. As a qualified physicist, she undoubtedly always took an interest in climate protection. She also stayed true to herself during the Greek crisis in the role of the Swabian housewife who steadfastly avoids overspending. It was a role that matched the frugality and modesty she favors in her private life."

With respect to such a "political grounding and mindset," Merkel watchers note that one can perceive a strong appreciation of what the United States has done over decades to make Germany's unification possible. The embarrassing fact that her cellphone was spied on for years by the U.S. authorities didn't change her deep respect for America. She also has strong feelings about Germany's commitment to Israel's security, rooted in the eternal German responsibility for the Holocaust. European integration and monetary union as a historic "peace project" are also seen as part of Merkel's political grounding.

Dirk Kurbjuweit, who in 2009 published a biography of Merkel, argues that Merkel "governs by silence," which is "her biggest advantage and disadvantage." Merkel "never says something fast. She waits and waits to see where the train is going and then she jumps on the train. Part of this she learned in the G.D.R (Communist East Germany). She knew she had to watch her words. There's nobody better at (vague) words than Angela Merkel."

MERKEL STARTED AS CONSERVATIVE FREE MARKET LIBERAL

In the 2005 general election, Merkel and her advisors thought that the traditional CDU/CSU voters, tired of social spending and anti-business interference, were longing for a conservative, free-market, business-friendly agenda pushed through by a new German Margaret Thatcher.

But Schröder and his SPD, weakened by voter rebellion against austerity, came up with an effective counter-strategy: They shifted to attacking the evils of capitalism that Merkel defended. They used a popular bad-mouthing campaign launched by SPD party chairman Franz Müntefering accusing the major international investment banks and hedge funds of acting as "locusts" (*heuschrecken*) that take over German companies, with workers losing jobs and the enterprises' reserves plundered. "Some financial investors spare no thought for the people whose jobs they destroy," Müntefering told the mass tabloid *Bild.* "They remain anonymous, have no face, fall like a plague of locusts over our companies, devour everything, and then fly on to the next one."

The attacks on Anglo-Saxon corporate investors that Müntefering started in the run-up to the crucial North Rhine-Westphalia state elections were, ironically, in sharp contrast to the free market-oriented capitalist reforms that the Red-Green coalition government under Schröder and Finance Minister Hans Eichel had been pursuing. Both conservatives and liberals under Chancellor Helmut Kohl had reigned for sixteen years until 1998 without daring to modernize "Deutschland AG." It was Schröder and Eichel who pushed through highly controversial structural reforms, including breaking up an antiquated bank-financed industrial structure

Merkel's Problem With the Constitution

From early on, some experts and party followers expressed concern that Angela Merkel, with her education and early professional experience taking place in a communist system, lacked the West German post-war "constitutional patriotism" (*Verfassungspatriotismus*), or sensitivity towards constitutional issues and the importance of statutes and traditions of international institutions.

In her ten years as chancellor—to the horror of even her party elders—Merkel seemed to have no problem ignoring the German Constitution and the European treaties if that helped her solve problems and stay in power.

When the history books are written, it will be seen that some of the decisions by the coalition governments under Chancellor Merkel that were made to cope with the banking and the euro sovereign debt crises changed Europe's institutional landscape.

At the June 2012 Brussels EU summit, for example, Merkel was blackmailed into consenting to a Council resolution to empower the European Central Bank with the Single Supervisory Mechanism as the euro area bank supervisor.

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that was strongly protectionist against foreign investors gaining control through infusions of capital. Without much of the German population realizing it, Social Democrat Schröder pushed through a tax reform under which German banks and companies were able to realize their huge hidden reserves at very low rates as windfall to their shareholders.

The efficient SPD locust campaign was such a factor that Merkel barely won the election, with a similar percentage of votes (35.2 percent) as her opponents. Eventually, she wound up heading a coalition with the Social Democrats. The price: She had to give up key parts of her conservative, free market reform agenda.

Before the first coalition government under Merkel was dragged into coping with the banking crisis, the state of the German economy—low growth, too much export orientation, high unemployment, unfinished structural reforms, weaknesses in the educational system, and a public banking sector without adequate governance controls—was looming on Berlin's agenda.

Adam Posen of the Peterson Institute for International Economics, an expert on Germany, came up with the provocative suggestion of taking the German recovery less seriously. The German response—from economic experts and public officials—was speedy and firm. Even Jens Weidmann, then chief economic advisor to Chancellor Merkel, countered, "Our upturn stands on firm ground. This is due to companies that have restructured their operations and also due to the collective bargaining partners agreeing to modest wage settlements. Structural reform policies helped to improve the growth conditions."

SOON MERKEL BECAME A BANK BAILOUT EXPERT

Starting in 2007, losses on complex financial instruments, backed by subprime mortgages in the U.S. housing market, sent shockwaves through financial markets around the world. IKB Deutsche Industriebank, a specialized lender to medium-sized firms, and some public-sector Landesbanks were caught with huge exposures to the U.S. subprime mortgage market.

Soon Merkel's coalition government, with Peer Steinbrück, the former SPD head of North Rhine-Westphalia, as finance minister, was challenged to cope with the worst post-war banking crisis to date. Since both coalition partners had their share of prominent party members in banks that faced huge losses in "toxic assets" and had to be rescued with taxpayer money, the Merkel coalition government had no difficulty in opting for a "gold-plated bailout" of creditors (even hybrid shareholders), depositors, and bondholders. Unlike in the United States, there was no "least cost bail-in" principle applied under which junior creditors, that is, bond holders and hybrid investors, were forced to share losses.

The fallout from the subprime crisis was so huge that Germany ranked after the United States and Great Britain in announced losses, write-downs, and recapitalizations.

To make sure that the failures and misdeeds in the run-up to the disaster by prominent actors from the ruling parties would not be exposed—in the massive failures of Sachsen LB, WestLB, and Bayern LB—the Berlin government together with the state governments blocked any meaningful independent inquiry. Landesbanks used protection by powerful regional politicians to block investigations and requests for information.

This contrasted sharply with actions in other major countries such as the United States and United Kingdom. Only in the case of the default of Hypo Real Estate—Germany's second-largest property lender—were there efforts to shed some light into the insolvency.

When Lehman Brothers, holding about $600 billion in assets, filed the largest bankruptcy in U.S. history in 2008, Germany's political and financial establishment had a further justification to make the bailout at the expense of German taxpayers even larger. Letting the worldwide interconnected investment bank Lehman Brothers go bust supported the view of those European critics who pointed to how the U.S. financial elite—as legislators and regulators, as rating agencies, as central bankers and government officials, as market participants and other financial sector leaders—ignored the boom-and-bust risks in the smoldering U.S. subprime crisis and helped shift a large part of the huge losses to foreign investors, especially to European banks.

In the aftermath of the subprime crisis, reforming world financial regulation was put high on the agenda of the G-7 and G-20. There, Merkel and then-Finance Minister Peer Steinbrück took a tough stand in the battles over better financial regulations. At one point, an angry Merkel told her partners, "With us, dear friends, Wall Street or the City of London won't dictate again how money should be made only to let others pick up the bill."

THE EURO CRISIS

As it turned out, Merkel's second term as chancellor from 2009 to 2013—heading a coalition of CDU/CSU and the liberal Free Democrats—was soon engulfed in the smoldering banking crisis that escalated into a euro sovereign debt crisis. In the spring of 2010, Greece was on the brink of insolvency because, due to weak governments, a huge debt burden, and lack of international competiveness, it had lost access to capital markets. Living beyond its means through very low ECB interest rates since joining the monetary union, Greece had reached the end of the rope. The threat of a Greek insolvency spread to other euro area countries such as Ireland, Portugal, Spain, and Cyprus when the markets realized that in monetary union there was also what is known as country risk. By this point, CDU veteran Wolfgang Schäuble had taken over the finance ministry and soon moved into the role of Berlin's chief rescue manager on the euro crisis front.

Some CDU/CSU party members are alarmed that she is "social democratizing" her conservative political base.

As in the run-up to the current refugee crisis and the Greek meltdown, Merkel numbered among those in the European Union who applied delaying tactics with respect to Greece. With better policy choices, she could have avoided piling up ever higher debt burdens on German taxpayers. From 2004 to 2009, what was called "the Merkel-Karamanlis connection" prevented European and German authorities from calling the Greeks—who were cheating and living beyond their means—to order. Merkel protected the conservative Greek government under Prime Minister Kostas Karamanlis. At the time, high-level officials at the Berlin finance ministry complained, "The chancellor needs her close personal friend Karamanlis as trusted ally to get her way in the European association of conservative parties and in the Club Med countries, therefore we are not following up on how in the case of Greece, the alarm bells in Brussels are ringing."

In the 2013 general elections, Merkel and the CDU/CSU lost her liberal coalition partner. The Free Democrats didn't get the needed 5 percent to return to the Bundestag. So Merkel was forced again to form a coalition with the Social Democrats. What did not change in her third term was that the euro crisis continued to smolder.

From early on, some experts and party followers expressed concern that Merkel, with her education and early professional experience taking place in a communist system, lacked the West German post-war "constitutional patriotism" (*Verfassungspatriotismus*), or sensitivity towards constitutional issues and the importance of statutes and traditions of international institutions. Some Bundesbank veterans were exasperated that Merkel "has no idea where the International Monetary Fund is coming from and how this very important institution works, and what role the Bundesbank has played in the IMF for decades."

In her ten years as chancellor—to the horror of even her party elders—Merkel seemed to have no problem ignoring the German Constitution and the European treaties if that helped her solve problems and stay in power.

When the history books are written, it will be seen that some of the decisions by the coalition governments under Chancellor Merkel that were made to cope with the banking and the euro sovereign debt crises changed Europe's institutional landscape.

In 2010, the temporary European Financial Stability Facility was established and in 2012 consolidated into the European Stability Mechanism, with paid-in capital of €80 billion.

At the June 2012 Brussels EU summit, Merkel was blackmailed into consenting to a Council resolution to empower the European Central Bank as the euro area bank supervisor. This was followed by establishing the second pillar of European banking union, the Single Resolution

Mechanism and the Single Resolution Fund that would serve as the financial foundation underpinning the Single Resolution Mechanism, funded with bank contributions of about €55 billion until the end of 2023.

According to international financial sector expert Achim Dübel, "The European Stability Mechanism essentially is an off-budget fund for bailing out banks and other investors that mis-speculated in southern Europe, especially Greece and Cyprus. It became Berlin's substitute for at least partial eurobonds, which would have made guarantees explicit. The *de facto* bond insurance fund still as of 2015 has no asset side, that is, it neither defines terms for its guarantees nor charges premiums. A first timid step to get it involved in policy formulation is its membership in the Quadriga, the erstwhile Troika."

Seehofer accused Merkel of allowing a "state failure" with unforeseen consequences to happen.

Ever since the European leaders opened the door to banking union, the legal battles have been raging. Respected economics and law professors formed the Alternative für Deutschland party (AfD) as a protest movement against the euro leaders—with Germany's ruling political elite consenting—for ignoring the European treaties, especially the "no bail-out" rule in Article 127 (6) of the Treaty on the Functioning of the European Union.

Some experts make the point that those euro leaders under heavy political pressure in debt-laden member states to finance their debts reacted to Merkel's vow of "no euro bonds as long as I live" by putting enormous pressure on the European Central Bank to come to the rescue. Merkel's "no" may have prevented opening new market channels of debt mutualization on the road to the feared "transfer union." But the alternative—opening the ECB's liquidity floodgates by turning to extraordinary monetary instruments—turned out to be a much broader fast-track to transfer union.

The extent to which the European Central Bank—with its mass conflict of interest as both central bank and bank supervisor—took over member countries' bank rescue tasks became apparent in Cyprus and Greece. There, the Eurosystem used emergency liquidity assistance to keep banks and banking systems from insolvency, providing bankrupt financing which would be illegal on the national level.

Future generations of German citizens may not know the circumstances under which Berlin politicians gave away core parts of the country's sovereignty and controls to those who run European institutions. Germany's political leaders and legislators yielded future control over large parts of the country's financial sector assets in the belief that on the European level, bank supervisors and regulators will make decisions in a factual manner and in a spirit of European values and solidarity. This is more fiction than fact.

They should take note of this episode: Merkel's government, with the support of the SPD and the Greens, only needed forty-five minutes of debate in the Bundestag—shortly before midnight on June 13, 2013—to ratify the law that transferred executive bank supervisory powers from the German Federal Financial Supervisory Authority (BaFin) to the European level.

As Sharon Bowles, the British Liberal Democrat who was then head of the European Parliament's Economic and Monetary Committee, pointed out, from a historical perspective, the vote was "a bigger loss of sovereignty" for countries taking part in the European banking union than the introduction of the euro.

In the future, when Merkel—whether she survives the refugee crisis or not—travels the world as Europe's most revered elder stateswoman—the institutional changes she helped to bring about will result in more controls and regulations and less freedom to do business in Europe's largest economy.

Germany will be marginalized by ever more powerful bureaucratic decision makers at the European level, especially by the European Central Bank and its bank supervision arm. EU power and policies will be more oriented toward the euro area's debtor interests. By then it will be too late for Germans to assert their national interest as savers and creditors. Some see this as Merkel's legacy. What happened on her watch is probably incomprehensible for the British or Americans. Imagine if in less than an hour the sovereignty and control forever over Wall Street or the City was transferred to a supranational institution such as the United Nations with a voting system of one vote for each member nation. No wonder in Germany the political right—as we see in the refugee catastrophe—is raising its ugly head.

Recall Dirk Kurbjuweit's observation, "Merkel governs by silence. She knew she had to watch her words." This may explain why not much is known about what she had to say about ignoring the German and European laws on the books to solve the crisis of the day. ◆