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Neither Hegemony nor Dominance: Reconsidering German Power in Post Cold-War Europe

JAMES SPERLING*

German unification in 1989 raised the spectre of German hegemony in post-cold war Europe. In this article, I demonstrate that Germany lacks the structural power consistent with European hegemony or dominance; that there is little evidence supporting an appreciable gap between Germany's structural power and foreign policy ambitions; and that apparent symptoms of German hegemony, particularly the process of institutional emulation in Central and Eastern Europe, reflect other international processes and incentives emanating from the state system itself. This reassessment and downgrading of Germany's relative and absolute power resolve the paradox of German structural power and German reluctance identified by others. But this alternative narrative raises another more important question: why is Germany treated as a potential or even aspiring hegemon in Europe? The answer to that question is located in the interconnected legacies of Auschwitz and the occupation regime. This joint legacy constitutes an important part of the historical context within which we frame our assessments and judgements of German power; explains the frequently unwarranted exaggeration and suspicion of German power; and demonstrates how the past can function as a powerful prism through which we interpret the intentions, ambitions and capabilities of a state.

The first unification of Germany in 1871 produced a *Weltpolitik* designed to challenge the privileged position of the Anglo-Saxon maritime powers outside the limited compass of Europe, a near hegemonial position in *Mitteleuropa* as the material basis for that challenge and a European diplomacy conducted in the idioms of preferential trade arrangements, war and territorial annexation.¹ The disastrous German bids for European hegemony in 1914 and 1939 were sorry but inevitable chapters in the evolution of the European state system. The 'German Question' – whether Germany could be peacefully and successfully integrated into the European state system on terms acceptable both to Germany and her neighbours – was temporarily put aside with the truncation and division

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¹ See Ludwig Dehio, *The Precarious Balance: Four Centuries of the European Power Struggle*, trans. Charles Fulham (New York: Knopf, 1962); David P. Calleo, *The German Problem Reconsidered: Germany and the World Order, 1870 to the Present* (Cambridge: Cambridge University Press, 1978); and V. R. Berghahn, *Modern Germany: Society, Economy and Politics in the Twentieth Century* (Cambridge: Cambridge University Press, 1982).

of Germany at the end of the Second World War. The German Question re-emerged with the end of the cold war and the unification of Germany, two events that reconfigured the European security space. Today Germany is increasingly perceived as a latent European hegemon. The German Question now takes an alternative form: will Germany prove too large even for an institutionalized Europe?

The emerging debate over the role Germany has played and will play in Europe is predicated upon a stipulated tension or disjunction between German power and the German (un)willingness to exercise it. German dominance, if not hegemony, in Europe is treated as axiomatic. Consequently, many studies of German foreign policy have shifted attention to domestic explanations pointing to either institutional or normative constraints on the exercise of power. And studies that do focus on system-level constraints have accepted as axiomatic the presence of German structural power and sought to explain how that power has been contained, redirected or diffused by membership in international institutions. Any test of these arguments or others that describe Germany as constrained by weak state structures, a domestic political culture of restraint or reticence, or the mediating effects of international institutions first requires a demonstration that Germany in fact possesses the preponderant power ascribed to it.

A system-level research design is the appropriate starting point in any assessment of the claims and counter-claims made about Germany's European or world role. The rationale for revisiting the material constraints and opportunities afforded post-unification Germany reflects the need to establish the degree of freedom or range of choice enjoyed by any German government in the conduct of foreign policy. A structural account assumes that there are material limits on state action that are independent of volition; that notice should be first taken of structural constraints on state action before choice is attributed to a constellation of domestic variables or the constraints imposed by international institutions; and that foreign policy choice must be consistent with the opportunities afforded by the international system.² Only after a structural explanation is left wanting should we turn to these alternative explanations as necessary supplements to a structural account or as the dominant account of the anomalies detected by many in the conduct of German foreign policy. Without some reckoning of Germany's relative and absolute power within the international and European systems, institutional and cultural explanations of German foreign policy may resolve puzzles and paradoxes that in fact do not exist.

In this article, I demonstrate that Germany lacks the structural power

² See Harvey Starr, *Anarchy, Order, and Integration: How to Manage Interdependence* (Ann Arbor: University of Michigan Press, 1997); Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton, NJ: Princeton University Press, 1984), pp. 25–6; Kenneth Waltz, *Theory of International Politics* (New York: Random House, 1979); and Wolfram Hanrieder, 'Compatibility and Consensus: A Proposal for the Conceptual Linkage of External and Internal Dimensions of Foreign Policy', *American Political Science Review*, 61 (1967), 971–82.

consistent with European dominance or hegemony; that there is little evidence supporting an appreciable gap between Germany's structural power and foreign policy ambitions; and that apparent symptoms of German hegemony, particularly the process of institutional emulation in Central and Eastern Europe, reflect other international processes and incentives emanating from the state system itself. This reassessment and downgrading of Germany's relative and absolute power resolves the paradox of German structural power and German reluctance identified by others. But this alternative narrative raises another more important question: why is Germany treated as a potential or even aspiring hegemon in Europe? The answer to that question is located in the collective memory of Germany's neighbours summarized by the horrors and lessons of Auschwitz. The egregious violation of the constitutional norms of the European state system during the Second World War, and the norms of the occupation regime which shaped German foreign policy into the post-cold war period play an important system level role in any assessment of German foreign policy. These two events constitute an important part of the historical context within which we frame our assessments and judgements of German power; this context explains the frequently unwarranted exaggeration and suspicion of German power; and it demonstrates how the constructivist project can be usefully employed to explain how the past can function as a powerful prism through which we interpret the intentions, ambitions and capabilities of the state.

GERMANY'S ROLE IN EUROPE: PAST AND PRESENT PERSPECTIVES

The underlying elements of renascent German economic power were present in a defeated and occupied Germany.³ German rearmament and the 'economic miracle' in the 1950s positioned Germany as a key state in the European state system. And the German Question itself was reanimated when the Nixon administration initiated a partial American retreat from empire and shifted to its European allies a greater share of the costs attending the economic and military security of the Atlantic political space.⁴ This Nixon foreign policy strategy, the emergence of nettlesome economic and military-strategic conflicts and divergences of interest, and the perceived economic strength of Germany generated a call for a German-American 'bigemony' in the Atlantic economy.⁵ This solution to the problems plaguing the Atlantic economy met with a sharply

³ Alan Milward, *The Reconstruction of Western Europe, 1949–51* (Berkeley and Los Angeles: University of California Press, 1984).

⁴ Christian Hacke, *Die Ära Nixon–Kissinger 1969–1974. Konservative Reform der Weltpolitik* (Stuttgart: Klett-Cotta, 1983); Robert Litwark, *Détente and the Nixon Doctrine: American Foreign Policy and the Pursuit of Stability, 1969–1976* (Cambridge: Cambridge University Press, 1984); and James Sperling, 'America, NATO, and West German Foreign Economic Policies, 1949–89', in Emil J. Kirchner and James Sperling, eds, *The Federal Republic of Germany and NATO: 40 Years After* (London: Macmillan, 1992), pp. 157–93.

⁵ C. Fred Bergsten, 'The United States and Germany: The Imperatives of Economic Bigemony', in C. Fred Bergsten, ed., *Toward a New International Economic Order* (Lexington, Mass.: Lexington, 1975), pp. 333–44.

negative response: Michael Kreile and Joachim Hütter demonstrated that Germany failed the test of an *économie dominante* and was subsequently incapable of functioning as the second half of a double-hegemony;⁶ and Peter Katzenstein argued that Germany, owing to domestic disabilities and self-interest, could only aspire to the modest role of broker between Europe and America.⁷ The anticipated decline of American power into the late 1970s and the seeming inability of Germany to adopt a political profile commensurate with its perceived economic power generated the conventional belief that Germany emerged from the defeat of the Second World War as one of the world's two '*zaghafte Riesen*' or timorous giants – a sentiment captured by the description of Germany as an economic giant, but political dwarf.⁸

By the beginning of the 1980s, the end of the Pax Americana was in sight for many. The economic ascent of Japan in the wake of the oil crisis led Ezra Vogel to declare Japan as 'number one';⁹ and this suggested to Wolfram Hanrieder and Peter Katzenstein that Germany was number two, although Germany's status was put forward as an interrogatory rather than as a declaratory statement.¹⁰ Whereas Katzenstein focused on the role of *Modell Deutschland* as a second, viable alternative to the Anglo-American model of economic management, Hanrieder focused on Germany's status in American foreign policy calculations and Germany's potential leadership role. Each argument captured two strands in subsequent treatments of Germany as Europe's hegemon. The first focused on the role of *Modell Deutschland* not only as a model of economic management, but as an instrument of German influence and domination, particularly within the European Community.¹¹ The second, which addressed Germany's role in the international system, generated the powerful and seductive metaphor of Germany as Gulliver. Simon Bulmer and William Paterson employed Swift's tale to endorse the position that Germany

⁶ Michael Kreile, 'Die Bundesrepublik Deutschland – eine 'Économie Dominante' in Westeuropa?' *Politische Vierteljahresschrift*, 9 (1978), 236–56; and Joachim Hütter, 'Die Stellung der Bundesrepublik Deutschland in Westeuropa: Hegemonie durch wirtschaftliche Dominanz?' *Aus Politik und Zeitgeschichte*, No. 2 (13 January 1978), 103–13.

⁷ Peter Katzenstein, 'West Germany's Place in American Foreign Policy: Pivot, Anchor, or Broker?' in Richard Rosecrance, ed., *America as an Ordinary Country: US Foreign Policy and the Future* (Ithaca, NY: Cornell University Press, 1976), pp. 110–35.

⁸ Arnulf Baring and Sase Masamori, *Zwei zaghafte Riesen? Deutschland und Japan seit 1945* (Stuttgart: Belser Verlag, 1977).

⁹ Ezra F. Vogel, *Japan as Number One: Lessons for America* (New York: Harper Colophon Books, 1980).

¹⁰ Wolfram Hanrieder, 'Germany as Number Two? The Foreign and Economic Policy of the Federal Republic', *International Studies Quarterly*, 26 (1982), 57–86; and Peter Katzenstein, 'West Germany as Number Two: Reflections on the German Model', in Andrei S. Markovits, ed., *The Political Economy of West Germany. Modell Deutschland* (New York: Praeger, 1982), pp. 199–215.

¹¹ See Frieder Schlupp, 'Modell Deutschland and the International Division of Labor: The Federal Republic of Germany in the World Political Economy', in Ekkehart Krippendorff and Volker Rittberger, eds, *The Foreign Policy of West Germany: Formation and Contents* (London: Sage Publications, 1980), pp. 33–100; and Carl F. Lankowski, 'Modell Deutschland and the International Regionalization of the West German State in the 1970s', in Markovits, *The Political Economy of West Germany*, pp. 90–115.

was indeed an economic giant but a political dwarf: like Gulliver upon his arrival in Lilliput, Germany's freedom of movement has been limited by domestic institutional constraints overlain by a dense network of external institutional constraints on autonomous decision making in the domains of security and economy.¹² Thus a powerful combination of constitutional design, membership in integrative international institutions and the continued division of Germany achieved the post-war American objective of 'security for Germany and security from Germany'.¹³

The reordering of the European state system in 1989 generated fears, concerns and hopes that Germany will (or will not) act in a manner commensurate with its power. The unqualified end of the formal occupation and a post-unification willingness to assert the national interest reinvigorated the debate over what constituted German 'normalcy'.¹⁴ It also raised the prospect of a new bid for German hegemony. Bulmer and Paterson, for example, reach the guarded conclusion that German hegemony is a potential outcome of German unification and the relaxation of tensions in the European security area.¹⁵ Similarly, Andrei Markovits and Simon Reich focus on the underlying structural economic power of Germany in western and central Europe complemented and activated by the willing emulation of the German model by its central and eastern European neighbours.¹⁶

Others are even more sanguine about the prospect of an active German hegemony. One body of literature focuses upon the constraining effects of Germany's 'exaggerated multilateralism' or a reliance upon 'indirect institutional power'.¹⁷ The institutionalization of German power has produced an empowered but non-threatening Germany that sets the European agenda and dominates the institutional evolution of the European Union (EU) and its governance structures. Another body of literature recasts the German Question as the paradox of structural power constrained by an 'ideology of reluctance'. One version of this argument combines material structure and individual agency in a compelling manner, but privileges individual agency by locating the

¹² Simon Bulmer and William E. Paterson, 'West Germany's Role in Europe: "Man Mountain" or "Semi-Gulliver"?' *Journal of Common Market Studies*, 28 (1989), 95–117.

¹³ Wolfram F. Hanrieder, *Germany, Europe, America: Forty Years of West German Foreign Policy* (New Haven, Conn.: Yale University Press, 1989), p. 37.

¹⁴ For a specific equation of civilian power with incomplete power, see Franz-Josef Meiers, 'Germany: The Reluctant Power', *Survival*, 37 (1995), 82–103, p. 84.

¹⁵ Simon Bulmer and William E. Paterson, 'Germany in the European Union: Gentle Giant or Emergent Leader?' *International Affairs*, 72 (1996), 9–32.

¹⁶ At the core of this argument is the notion that Germany exerts a neo-Gramscian hegemony in Europe; see Andrei S. Markovits and Simon Reich, 'Should Europe Fear the Germans?' in Michael Huelshoff, Andrei S. Markovits and Simon Reich, eds, *From Bundesrepublik to Deutschland: German Politics after Unification* (Ann Arbor: University of Michigan Press, 1993), pp. 271–90.

¹⁷ On the first characterization, see Jeffrey J. Anderson, 'Hard Interests, Soft Power and Germany's Changing Role in Europe', in Peter J. Katzenstein, ed., *Tamed Power: Germany in Europe* (Ithaca, NY: Cornell University Press, 1997), pp. 80–107, at p. 85; and on the second, see Simon J. Bulmer, 'Shaping the Rules? The Constitutive Politics of the European Union and German Power', in Katzenstein, *Tamed Power*, pp. 49–79, at p. 74.

constraint on German power in a domestic ideology of reluctance. And that ideology, in turn, reflects the lessons of and continuing contrition for Auschwitz.¹⁸ Similar combinations of structure and agency are implicitly or explicitly endorsed by any number of authors: Bulmer and Paterson speak of a 'leadership avoidance reflex', Franz-Josef Meiers describes Germany as a 'reluctant power', and Gunther Hellman invokes Bismarck's 'doctrine of self-limitation'.¹⁹

The German capacity for regional dominance or hegemony is simply assumed in the majority of these analyses. Yet, most concur that Germany will emerge as a 'gentle Giant' reluctant to press its claims in the new Europe. The emergence of either a conscious or absent-minded bid for German hegemony is heavily discounted owing to domestic and external institutional constraints on German policy options; to Germany's vulnerability to the adverse macroeconomic fortunes and protectionist commercial policies of its partner countries; to nagging questions over Germany's continued competitiveness captured by the *Standort Deutschland* debate; to the continued embrace of a multilateralism that serviced German foreign policy so well in the post-war period; and to penance for the past now institutionalised as self-containment in both the targets and the exercise of German power.

STRUCTURAL POWER IN THE CONTEMPORARY EUROPEAN SYSTEM: TRADE, CAPITAL AND MACROECONOMIC POLICY

The emerging consensus on the potential role Germany could play in Europe raises a number of important questions about German power: why has Germany not exercised political power commensurate with its economic power? What would the normalization of Germany mean for the content and form of German foreign policy? What would an unconstrained Germany portend for the European order? Although no one claims that Germany possesses the material capabilities to exert a global hegemony, claims are made that Germany has forsworn or wielded either regional dominance or hegemony or something in between. A test of either proposition requires an explicit and systematic assessment of whether Germany meets the necessary and sufficient conditions for hegemony or dominance.

Hegemony theory, in its many alternative theoretical forms, generally embraces the proposition that 'a hegemonic state is a core state that commands an unrivaled position of economic and military superiority' in the international system.²⁰ While there is disagreement over whether a state can lay claim to

¹⁸ Andrei S. Markovits and Simon Reich, *The German Predicament: Memory and Power in the New Europe* (Ithaca, NY: Cornell University Press, 1997).

¹⁹ Bulmer and Paterson, 'Germany in the European Union'; Meiers, 'Germany: The Reluctant Power'; and Gunther Hellman, 'Goodbye Bismarck? The Foreign Policy of Contemporary Germany', *Mershon International Studies Review*, 40, supplement 1 (1996), 1–39.

²⁰ Joshua S. Goldstein, *Long Cycles: Prosperity and War in the Modern Age* (New Haven, Conn.: Yale University Press, 1988), p. 5. The many varieties of hegemony are represented by Dehio, *The*

hegemonic power in the absence of military superiority or whether economic power is a sufficient condition for hegemony,²¹ four elements of power are common to most theories of hegemony: ideological power (providing a rationale for accepting a given social order), military power (the ability to coerce and protect), political power (the ability to regulate social activities) and economic power (control over production, distribution, exchange and consumption).²² Two elements of hegemony are material, one is political-institutional, and the other is ideological. The latter two elements are of interest owing to the claims made on behalf of Germany, particularly its ability to shape preferences at the European level via the institutions of the European Union (EU), and its ability to wield ideological power, manifested by the adoption of German institutional forms and macroeconomic norms throughout Europe. The exercise of ideological power, particularly in its neo-Gramscian variant, is contingent upon material preponderance in the international system.²³ The key insight of neo-Gramscian approaches to hegemony is that ideology rationalizes dominance and creates a context where the exercise of power takes on a 'consensual form'. Yet even in the neo-Gramscian framework, material preponderance is a necessary, albeit insufficient requirement of hegemony.

Domination exists where an exploitable asymmetry of power enables the dominant state to exercise 'in a dominant field ... an irreversible or partially irreversible influence'.²⁴ François Perroux identifies three variables critical to

(F'note continued)

Precarious Balance; Robert Gilpin, *War and Change in World Politics* (Princeton, NJ: Princeton University Press, 1981); Keohane, *After Hegemony*; Charles Kindleberger, *The World in Depression, 1929–1939* (Berkeley: University of California Press, 1973); George Modelski, 'The Long Cycle of Global Politics and the Nation-State', *Comparative Studies in Society and History*, 20 (1978), 214–38; Immanuel Wallerstein, *The Modern World-System: Vol. I, Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century* (New York: Academic Press, 1974); and Charles Doran, *Systems in Crisis: New Imperatives of High Politics at Century's End* (Cambridge: Cambridge University Press, 1991).

²¹ On a summary of this debate, see K. Edward Spiezio, 'British Hegemony and Major Power War, 1816–1939: An Empirical Test of Gilpin's Model of Hegemonic Governance', *International Studies Quarterly*, 34 (1990), 161–71.

²² Peter J. Taylor, 'Ten Years that Shook the World: The United Provinces as First Hegemonic State', *Sociological Perspectives*, 37 (1994), 29–34; and Thomas J. Volgy and Larry W. Imwalle, 'Hegemonic and Bipolar Perspectives on the New World Order', *American Journal of Political Science*, 39 (1995), 819–34.

²³ According to Robert Cox, hegemony is 'a social structure, an economic structure, and a political structure; and it cannot be simply one of these things but must be all three.' See Robert W. Cox, 'Gramsci, Hegemony and International Relations', *Journal of International Studies: Millennium*, 12 (1983), 162–75, pp. 171–2. Stephen R. Gill and David Law offer a similar definition: hegemony represents a 'historical congruence between material forces, institutions, and ideologies, or broadly to an alliance of different class forces ... it implies the necessity of considering ... world order in terms of the dynamics and dialectics of their normative (ethical, ideological, practical) as well as their material dimensions' (emphasis added); see Stephen R. Gill and David Law, 'Global Hegemony and the Structural Power of Capital', *International Studies Quarterly*, 33 (1989), 475–99, pp. 476–7.

²⁴ François Perroux, 'The Domination Effect and Modern Economic Theory', *Social Research*, 17 (1950), 188–206, p. 189.

the exercise of the domination effect: the state's relative power position in the international system enables it to exercise market power in its relationships with other states; the state's bargaining power allows it to fix the conditions of exchange; and the state's strategic placement provides bargaining advantages which in turn are derived from the national political-economic organization. Not unlike a hegemonic state, a dominant state writes the rules governing exchange and possesses the ability to persuade or compel other states to conform to its economic value system.²⁵

Common to the different conceptions of hegemony and dominance is the existence of structural power defined by some combination of military and/or economic measures of relative capability. Does Germany possess the requisite structural power? One answer to that question may be located in the polarity and concentration of power in the European political space. A generally accepted formula exists for determining the concentration of power in the international system;²⁶ and there is an established set of decision rules which classify international systems or regional subsystems as unipolar, bipolar or multi-

TABLE 1 *Systemic Concentration in Unipolar, Bipolar and Multipolar Systems*

	A	B	C	D	E	CON
Unipolarity	0.600	0.100	0.100	0.100	0.100	0.500
Bipolarity	0.350	0.350	0.100	0.100	0.100	0.306
Multipolarity	0.240	0.240	0.240	0.180	0.100	0.138

TABLE 2 *Systemic Concentration in Europe, 1960 and 1985*

Year	Germany	Britain	Italy	France	CON
1960	0.300	0.290	0.180	0.230	0.112
1985	0.310	0.220	0.210	0.250	0.100

²⁵ See Gilpin, *War and Change in World Politics*.

²⁶ The concentration of power is expressed by the equation: $CON_t = \sqrt{[\{\sum_{i=1}^{N_t} (S_{it})^2 - 1/N_t\} / (1 - 1/N_t)]}$, where CON_t is the level of systemic concentration at time t ; N is the number of major powers in the system; and S_{it} represents the aggregate share of major power resources possessed by major-power i in year t . The value for CON_t falls between 1 (a monopoly of power by one state) and 0 (n states with an equal share of power); see Edward D. Mansfield, 'The Concentration of Capabilities and International Trade', *International Organization*, 46 (1992), 731-64, pp. 737-8; and Diana Richards, 'A Chaotic Model of Power Concentration in the International System', *International Studies Quarterly*, 37 (1993), 55-72, p. 61.

polar.²⁷ The three hypothetical international systems can serve as benchmarks for assessing the polarity of and concentration of power in the post-cold war European state system (see Table 1). Each international system represents three categories of polarity – unipolar, bipolar and multipolar – with corresponding measures of power concentration (*CON*) and power resource share of five states (A–E). The polarity and concentration of power in the European subsystem are derived and compared for 1960, 1985 and 1995 (see Tables 2 and 3).²⁸

TABLE 3 *Systemic Concentration in Europe, 1995*

Number of powers	Germany	France	Italy	Britain	Spain	CON
Four	0.306	0.241	0.181	0.261	—	0.059
Five	0.276	0.217	0.167	0.244	0.095	0.159

²⁷ A unipolar system exists where one state controls over 50 per cent of the relevant power capabilities; a bipolar system exists where two states control at least 50 per cent of the relevant power capabilities and no third state controls 25 per cent; and a multipolar system exists where three or more states control at least 5 per cent of the relevant power capabilities, no single state controls 50 per cent or more, and no two states have a 25 per cent share each. This set of criteria is found in William R. Thompson, *On Global War: Historical-Structural Approaches to World Politics* (Columbia: University of South Carolina Press, 1988), pp. 209–10; and Edward D. Mansfield, 'Concentration, Polarity, and the Distribution of Power', *International Studies Quarterly*, 37 (1993), 105–28, p. 113, fn. 12.

²⁸ The indicators of power for 1960 and 1985 are derived from the correlates of war project national capabilities dataset; and for 1995 from a parallel set of indicators giving greater weight to the economic and non-military elements of power. The adoption of a slightly different set of indicators for 1995 reflects four considerations: first, correlates of war data are not yet available for the 1990s; secondly, a measure of power heavily biased towards economic variables will at worst exaggerate German power; thirdly, an index biased towards non-military elements of power will mitigate Germany's disadvantaged position within NATO and the privileged position of France and Britain in security affairs; and, finally, it is assumed that Germany not only acts as a civilian power, but that it is civilian power that counts in the post-cold war world.

For 1960 and 1985, five equally weighted indicators of national power were used: population (total population and urban population); gross domestic product (purchasing power parity); military capability (military expenditure and military personnel); economic capability (steel production and energy consumption); and gross domestic private investment. For 1995, five equally weighted indicators of national power were employed that better capture the elements of civilian power: total population; gross domestic product (purchasing power parity); military capability (military expenditure and military personnel); gross domestic capital formation; and the depth of financial markets (stock market capitalization and share of top European 500 firms in 1997). A methodological justification for changing the indicators of power in response to contextual change (from a militarized to a relatively demilitarized context of state action) is found in Gary Goertz, *Contexts of International Politics* (Cambridge: Cambridge University Press, 1994), pp. 52ff.

The data for 1960 and 1985 were drawn from Charles Lewis Taylor and Joachim Amm, *National Capability Data, Annual Series, 1950–1988* (Correlates of War Project, University of Michigan, 9 April 1993). Data for 1995 were drawn from the World Bank, *World Bank Development Report 1997* (Washington, DC: World Bank, 1997); SIPRI, *SIPRI Yearbook 1996: Armaments, Disarmament and*

The European system in 1960 and 1985 exhibits a level of systemic concentration associated with multipolarity, even though the system is bipolar in both time periods – an outcome which is counter-intuitive but not aberrant. If the polarity and concentration of power in the European system in 1960 and 1985 are compared, two significant and counter-indicative changes emerge. First, the European system remains bipolar, but moved from an Anglo-German duopoly in 1960 to a Franco-German duopoly in 1985. And secondly, the level of systemic concentration decreased. The marginal decrease in the level of systemic concentration masks other more important changes: the relative decline of Britain, the relative ascent of Italy, and perhaps most importantly a rising gap between Germany and the country of second rank. Post-cold war Europe has not changed significantly. Germany remains the leading state, although by a smaller margin than in 1985; Europe is once again an Anglo-German duopoly; and the level of systemic concentration indicates multipolarity. When Spain is added as fifth power, a status to which it is plausibly entitled, the European system is transformed into a multipolar system, albeit one with higher level of systemic concentration.

These results provide a robust structural argument against German hegemony or dominance; and cast reasonable doubt on studies assuming or arguing that Germany possesses the ability to act as one. It is also the case, however, that these two measures might understate the power afforded Germany by the ability to manipulate three channels of economic influence; namely, trade, capital and money.

National Power and the Structure of Foreign Trade

Albert Hirschman's book with the title of this section is approvingly invoked in many studies of German structural power; and the methodology and indicators developed in the study remain in wide use.²⁹ This methodology is relied upon for three reasons: first, the Herfindahl–Hirschman index is widely accepted as a superior measure of market concentration; secondly, it investigates a chapter of economic history acknowledged as illustrative of the domination effect and provides a ready-made benchmark for comparing the Schachtian system of commerce in the 1930s with Germany's role in Central and Eastern

(Footnote continued)

International Security (Oxford: Oxford University Press, 1996); International Monetary Fund, *International Financial Statistics*, 50 (September 1997), and Financial Times, *FT 500* (January 1998).

²⁹ Albert Hirschman, *National Power and the Structure of Foreign Trade* (Berkeley and Los Angeles: University of California Press, 1969). For studies employing his method, see George E. Schambaugh IV, 'Dominance, Dependence, and Political Power: Tethering Technology in the 1980s and Today', *International Studies Quarterly*, 40 (1996), 559–88, p. 565; Mansfield, 'The Concentration of Capabilities and International Trade', p. 739; Edward D. Mansfield, *Power, Trade, and War* (Princeton, NJ: Princeton University Press, 1994); David Bobrow, Steve Chan and Simon Reich, 'Trade, Power and APEC: Hirschman Revisited', *International Interactions*, 24 (1998), 187–223; and 'The Herfindahl–Hirschman Index', *Federal Reserve Bulletin*, 79 (1993), 188–9.

Europe today;³⁰ and thirdly, it provides a reliable method for discovering whether Germany possesses the *structural* ability to wield market power and exert diplomatic leverage in Central and Eastern Europe.³¹ Two measures of structural power derived by Hirschman – the trade preference of the dominant state and the trade concentration of the subordinate state – highlight different dimensions of a bilateral trade relationship and indicate potential levels of dominance and dependence.³²

The trade preference index of a major country indicates whether a large state's trade is orientated towards its smaller trading partners and whether the structure of national trade enables a large state to exploit an asymmetrical relationship with a smaller state. If a state has an equal percentage share in the trade of all

TABLE 4 *Trade Preference Indices, 1938 and 1995*

	1938		1995	
	Exports	Imports	Exports	Imports
France	95.2	92.0	112.2	113.3
Germany	162.7	151.4	98.4	121.0
Japan	124.4	68.4	61.4	136.5
United Kingdom	116.0	116.8	91.7	122.6
United States	116.7	142.1	125.2	153.7

Sources: For 1938, Albert Hirschman, *National Power and the Structure of Foreign Trade* (Berkeley and Los Angeles: University of California Press, 1969), pp. 92–3; for 1995, IMF, *Direction of Trade Statistics Yearbook* (Washington, DC: International Monetary Fund 1996), author's own calculations.

³⁰ See Perroux, 'The Domination Effect and Modern Economic Theory'. Other studies which embrace the idea of German market power in central and southern Europe during the interwar period include F. C. Child, *The Theory and Practice of Exchange Control in Germany: A Study of Monopolistic Exploitation in International Markets* (The Hague: M. Nijhoff, 1958); Alan S. Milward, *War, Economy and Society: 1939–1945* (Berkeley: University of California Press, 1977), pp. 10ff; David P. Calleo, *The German Problem Reconsidered: Germany and the World Order, 1870 to the Present* (Cambridge: Cambridge University Press, 1978), pp. 100–7; Larry Neal, 'The Economics and Finance of Bilateral Clearing Arrangements: Germany, 1934–38', *Journal of Economic History*, 32 (1979), 804–21; John A. C. Conybeare, *Trade Wars: The Theory and Practice of International Commercial Rivalry* (New York: Columbia University Press, 1987), p. 246; and Randall Schweller, *Deadly Imbalances: Tripolarity and Hitler's Strategy of World Conquest* (New York: Columbia University Press, 1998), p. 104.

³¹ These measures do not gauge the *ability* of the dominant state to exploit that trade asymmetry; or the *willingness* of the state to exploit those opportunities for diplomatic purposes. Hirschman's method can be faulted for not mapping out the bargaining power of states, but the question at hand revolves around whether Germany derives power from the overall structure of trade rather than the bargaining power Germany enjoys in a specific commodity group.

³² The commodity composition of trade, a third measure employed by Hirschman, does not support German dominance either. The results of that analysis can be found on this *Journal's* web site.

its trading partners, then the trade index equals 100; if the index is less than 100, it denotes a preference for large countries; and if the index is more than 100, it denotes a preference for small countries.³³ The export and import trade preference indices for five major industrial countries – Germany, France, Japan, the United Kingdom and the United States – are compared for the years 1938 and 1995 (see Table 4). The German import preference index in 1995 suggests a preference for trade with smaller countries, but is significantly lower today than in the interwar period; and the German export preference index in 1995 indicates a preference for trade with large countries. The German trade preference structure in 1995 reveals neither an exploitable system-wide asymmetry in the German structure of trade nor a successful German pursuit of such an asymmetrical relationship.

The exercise of structural power also depends upon two characteristics of the target country: a high ratio of exports to gross domestic product (GDP), which indicates the vulnerability of the national economy to a disruption in trade relations; and a high export concentration ratio, which indicates the ability of an individual or group of states to exercise market power.³⁴ The first measure is not easily summarized across Central and Eastern Europe, but the export to GDP ratios for the states of Central and Eastern Europe (CEE) suggest some vulnerability to the exploitation of trade asymmetries.³⁵ The export concentration ratio of a state is summarized by the trade concentration index developed by Hirschman. This index captures the ability of a group of states or a single state to exercise oligopsonist or monopsonist market power, respectively, in its trading relations with a smaller state. The Herfindahl–Hirschman index has a value up to 100, which indicates a trade monopoly, and approaches 0 with n countries with an equal trade share.³⁶ The index has three significant ranges of value: an index in excess of 42.43 reflects a concentrated structure of trade and

³³ The trade preference index is designated R by Hirschman. It is derived by dividing the unweighted average of the percentage share of import trade (UA) by the weighted share of import trade (WA) and multiplying by 100 (i.e., $UA/WA \times 100$). The unweighted average of the (percentage) shares of import trade is $UA = [1/n \times (i_1/E_1 + i_2/E_2 + \dots i_n/E_n)] \times 100$, where n is the number of states in the system, i is the imports of country A , and E is the total exports of countries 1 to n .

The weighted average of the (percentage) shares of import trade is $WA = [I_a/(I_w - E_a)] \times 100$ where I_a is the total imports of A , I_w are total world imports, and E_a are the total exports of A . (The export trade preference index is similarly derived.) For a fuller discussion of the measure, see Hirschman, *National Power*, pp. 87–91.

³⁴ The more relevant measure of structural power is the export dependence of the CEE states on the German market and the German ability to act as a monopsonist or as an oligopsonist. The ability of Germany to act as either, even were it to possess the structural opportunity to do so, is severely constrained by EU responsibility for trade policy.

³⁵ The GDP share of exports ranges from a low of 12.35 per cent (Romania) to a high of 50.97 per cent (Estonia). The export dependence ratios of the other CEE states, excluding the Baltics, do not differ significantly from the export dependence ratios of the smaller EU member-states.

³⁶ The Herfindahl–Hirschman index measures market concentration (HHI). The index for the imports (exports) of any state is derived by: $HHI = \sqrt{\sum_{i=1}^N (MS_i)^2}$ where MS_i represents the market share of country A 's imports (exports) accounted for by country i . See Hirschman, *National Power*, pp. 98–101; and 'The Herfindahl–Hirschman Index', pp. 188–9.

TABLE 5 *Export Concentration Ratios, 1938 and 1995*

< 34.64		34.64–42.43	> 42.43
1938			
Romania		Lithuania	Bulgaria
Czechoslovakia			Hungary
Poland			Estonia
			Latvia
1995			
Bulgaria	Hungary	Poland	Slovakia
Romania	Estonia	Czech Republic	Ukraine
Latvia	Lithuania		
Belarus	Russia		

Sources: For 1938, Albert Hirschman, *National Power and the Structure of Trade* (Berkeley and Los Angeles: University of California Press, 1969), pp. 102–3; for 1995, IMF, *Direction of Trade Statistics Yearbook* (Washington, DC: International Monetary Fund, 1996), author's own calculations.

indicates an opportunity for the exercise of market power; an index with a value falling between 34.64 and 42.43 constitutes a grey zone that may or may not provide the potential for the exercise of market power; and an index with a value less than 34.64 indicates the absence of market concentration and market power.

There is a marked decline in the level of export concentration of the CEE states in 1995 as compared to 1938 (see Table 5). In 1938 all but three countries had export concentration ratios that fell either in the grey zone or exceeded the level indicating a high level of concentration; in 1995 only Slovakia and Ukraine had high export concentration ratios; only the Czech Republic and Poland fell in the grey zone; and the remainder faced a dispersed export structure.³⁷ Although the economically more significant CEE states, particularly Poland and the Czech Republic, now have trade export concentration profiles that make the exercise of oligopsonist power possible, the CEE states remain collectively less susceptible today than in 1938 to the unilateral exercise of structural power by Germany or any other West European state.

Since Hirschman's method focuses on the structure of bilateral trade, it could obscure the cumulative impact of Germany's role as trader in Central and

³⁷ Perhaps more telling than a comparison of the trade concentration ratios for 1938 and 1995 would be a comparison of export concentration ratios for Canada and Mexico. In 1995, the export concentration ratios for Mexico and Canada were 83.70 and 80.57, respectively; and the United States was the primary market for each with a share of 83.63 per cent and 80.39 per cent, respectively. These concentration ratios suggest that one should be cautious in speaking of German hegemony exercised through a set of asymmetrical trading relationships in Europe.

Eastern Europe.³⁸ An emended Herfindahl–Hirschman index can generate a regional concentration of trade index.³⁹ With such a reformulation, Germany emerges as the most important trading partner of the CEE states on a regional basis (an 18.09 per cent share). Yet the index of regional trade concentration has a value of 23.37, a very low measure by any reckoning. A second method for ‘regionalizing’ the index would be the treatment of the EU as a single actor – a treatment justified by EU responsibility for trade policy. When the trade shares of the EU states are aggregated, the trade concentration ratio of the CEE states rises to 46.19 – a relatively high level of concentration. But adopting the EU as the appropriate unit of analysis precludes a consideration of Germany as a discrete actor; Germany is incapable of leveraging unilaterally that trade asymmetry without violating EU rules or jeopardizing the EU governance system.

The foregoing analysis can only lead to a provisional conclusion given the volatility of trade data and the uncertainty surrounding the final shape and consequences of the trading regime that will eventually encompass the European economic space. But the data support the modest conclusion that the structure of trade in Central and Eastern Europe does not lend Germany the power ascribed to either a hegemonic or even dominant state.

National Power and the Structure of Investment

The structure of direct foreign investment (DFI) is a second source of economic power.⁴⁰ The relative scarcity of capital in the target economy, the depth of national capital markets, and the ratio of DFI to gross fixed capital formation (GFCF) or to GDP enhance or diminish a dominant state’s ability to exploit an asymmetry in an investment position. Central and Eastern Europe provides a fertile region for wielding influence through these channels: financial markets are shallow, equity markets underdeveloped, the process towards the reform of the banking system retarded, and an institutional framework facilitating the transformation of savings into investment absent.⁴¹ Does the investment

³⁸ A second rejoinder is addressed in the Appendix attached to the website version of this article: would the exclusion of non-European states from the trading ledgers of Germany and the CEE states produce an alternative view of Germany’s structural power in Europe?

³⁹ This index takes the following form: $HHI_r = \sum_{i=1}^N (RS_i)^2$, where HHI_r is regional concentration of trade and RS_i is country i ’s market share of regional exports. In this case, regional exports represent the sum of exports from Belarus, Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Russia, Slovakia, Slovenia and Ukraine.

⁴⁰ On capital mobility as a structural constraint on state autonomy, see David Andrews, ‘Capital Mobility and State Autonomy: Toward a Structural Theory of International Monetary Relations’, *International Studies Quarterly*, 38 (1994), 193–218; and on the discrete use of monetary power, see Jonathan Kirshner, *Currency and Coercion: The Political Economy of International Monetary Power* (Princeton, NJ: Princeton University Press, 1995), pp. 115–70.

⁴¹ See Ronald W. Anderson, Erik Bergl f and K lman Mizsei, *Banking Sector Development in Central and Eastern Europe*, Forum Report of the Economic Policy Initiative no. 1 (London: Centre for Economic Policy Research, 1996), pp. 28–30 and 34–9; and Michael Huelshoff, ‘CEE Financial

position of German firms in Central and Eastern Europe provide an alternative channel of German influence? The short answer is 'No'.

The role of DFI as a share of GDP or GFCF and the subsequent level of external vulnerability varies considerably (see Table 6).⁴² Only in Czech Republic, Hungary and Slovenia do the DFI ratios indicate a dependence on foreign capital that could be translated into a source of structural power. Moreover, the DFI concentration indexes for the CEE states generally demonstrate a high level of concentration (see Table 7). While the index exceeds 40 for the Czech Republic, Slovenia, Bulgaria and Hungary, only in the Czech Republic and Bulgaria does German capital enjoy a clear margin of dominance with a 30 per cent and 38 per cent share of DFI, respectively. Arguably, Germany only possesses a potential source of political leverage in the case of the Czech Republic where foreign capital accounts for an important share of GDP. As in the case of trade, bilateral measures of DFI could understate the regional role played by Germany and obscure the potential for a German exercise of market

TABLE 6 *Direct Foreign Investment as Share of Gross Fixed Capital Formation and of GDP, 1993*

	DFI : GFCF	DFI : GDP
Bulgaria	2.1%	0.3%
Czech Republic	n.a.	10.2
Hungary	25.0	14.5
Poland	1.6	3.6
Romania	1.9	0.9
Slovakia	n.a.	3.8
Slovenia	57.6	n.a.

Sources: UN, *World Investment Report, 1995: Transnational Corporations and Competitiveness* (New York: United Nations, 1995), pp. 101 and 418; and Stanisław Ładyka, 'Foreign Direct Investment in the World Economy', in Barbara Durka, ed., *Foreign Investments in Poland* (Warsaw: Foreign Trade Research Institute, 1996), p. 128.

(F'note continued)

Reform, European Monetary Union, and Eastern Enlargement', in James Sperling, ed., *Two Tiers or Two Speeds? The European Security Order and the Enlargement of the European Union and NATO* (Manchester: Manchester University Press, 1999), pp. 63–80.

⁴² The ratio of GDP to DFI presented in the text may exaggerate the role of DFI as a share of GDP. According to European Bank for Reconstruction and Development statistics, the ratios for the Central and Eastern European states range from a high of 4.5 per cent in Hungary to a low of 0.05 per cent in Romania. This lower range simply qualifies further the leverage that Germany derives from its investment position in those states. Statistics cited in *The Economist* (1 November 1997), p. 108.

TABLE 7 *DFI Concentration Ratios, 1996*

< 34.64		34.64–43.43		> 42.43	
Poland	Czech Republic	Slovakia	Slovenia		
Romania	Estonia	Russia	Bulgaria		
Ukraine	Hungary	Belarus			

Sources: Urszula Kopec, 'Foreign Capital in Central and Eastern Europe', in Barbara Durka, ed., *Foreign Investments in Poland* (Warsaw: Foreign Trade Research Institute, 1996), pp. 129–49; Dorothy M. Sobol, 'Central and Eastern Europe: Financial Markets and Private Capital Flows', *Research Paper No. 9626* (New York: Federal Reserve Bank of New York, 1996); author's own calculations.

power. But since an aggregated DFI index for these thirteen countries is 32.75, no single state is positioned to wield market power in this region consistent with dominance or hegemony.⁴³

The large number of German firms operating in Central and Eastern Europe, the majority of which are small and medium-sized enterprises, also poses problems and opportunities for the leveraging of the German DFI position.⁴⁴ First, any German government faces the problem of co-ordinating well over 3,000 firms with disparate interests and preferences.⁴⁵ Moreover, small and medium-sized enterprises do not wield the same economic and presumably political clout as much larger multinational firms. Yet small and medium-sized firms may provide an intangible or 'soft' form of power for Germany, primarily by transferring German labour, social welfare or even manufacturing practices to Central and Eastern Europe. But it is highly contestable whether the regional adoption of German economic norms can be translated into a source of fungible German power, particularly if many of the non-German firms operating in the region, like Ford and General Motors, have long been accustomed to German practices.

⁴³ While it is true that Germany is the largest single investor in this region, with a 21.8 per cent share, it is closely followed by the United States with a 18.4 per cent share.

⁴⁴ Some argue that it is not only the size of the DFI investment positions in Central and Eastern Europe that matters, but the number of firms that operate in those countries; see Patricia A. Davis, 'Ostpolitik II Ten Years Later: German Assistance to Central and Eastern Europe Reconsidered' (paper prepared for the German Studies Association, 9 October 1998); and Markovits and Reich, *The German Predicament*, pp. 176–7.

⁴⁵ German DFI in Poland was dispersed between 3,609 firms (41 per cent of the foreign firms in Poland), while American DFI in Poland was dispersed between 559 firms (6.4 per cent of the foreign firms in Poland); see Józef Biskup, 'Characteristics of Foreign Direct Investment in Poland at the End of 1994', in Barbara Durka, ed., *Foreign Investments in Poland* (Warsaw: Foreign Trade Research Institute, 1996), Table 3.6.

National Power and the Macroeconomy

One of the least controversial manifestations of German hegemony in Europe is the success that the German government and Bundesbank have had in exporting German macroeconomic precepts and practices to its European neighbours; and the German ability to act as a Stackelberg leader in setting both the structure of European interest rates and the cross-exchange rates of Europe's currencies.⁴⁶ Some scepticism is deserved for arguments that German macroeconomic dominance has been unwanted or unintended,⁴⁷ although there is support for the position that German dominance is systemic and linked to the fixing of European exchange rates, the advent of capital mobility in the majority of the EU states and the anti-inflationary credibility of the Bundesbank.⁴⁸ Yet even this modest argument, which is consistent with the expectations of a simple model of the small open economy, is empirically contested.

Germany's macroeconomic role in Europe has been classified as ranging from simple predominance to asymmetry to dominance.⁴⁹ German predominance is supported by some empirical studies, yet German power in this domain is dependent upon the level of German independence from the structure of global (read American) interest rates.⁵⁰ More importantly, there is stronger evidence supporting American macroeconomic dominance: American short-term

⁴⁶ In a duopoly or oligopoly, a firm has three strategic choices for profit maximization in the absence of a cartel: adopting an 'independent supply position' (Stackelberg leader), a 'dependent supply position' (Stackelberg follower), the Cournot solution (assuming the policy preference of the other as given and tailoring national policy to it). In this context, a Stackelberg leader is the state that independently establishes a domestic interest rate structure with which other states conform. For a discussion of Stackelberg leadership, see Heinrich von Stackelberg, *The Theory of the Market Economy*, trans. Alan T. Peacock (London: W. Hodge, 1952). For an application to macroeconomic policy, see Jérôme Henry and Jens Weidmann, 'German Unification and Asymmetry in the ERM: Comment on Gardner and Perraudin', *IMF Staff Papers*, 42 (1995), 894–902.

⁴⁷ Norbert Kloten cited in Jürgen von Hagen and Michele Fratianni, 'German Dominance in the EMS: Evidence from Interest Rates', *Journal of International Money and Finance*, 9 (1990), 358–75, p. 361; Bulmer and Paterson, 'Germany in the European Union', p. 31; and Bulmer, 'Shaping the Rules?', pp. 75ff..

⁴⁸ See Francesco Giavazzi and Marco Pagano, 'The Advantage of Tying One's Hands: EMS Discipline and Central Bank Credibility', *European Economic Review*, 32 (1988), 1055–82; Charles Wyplosz, 'Asymmetry in the EMS: Intentional or Systemic?' *European Economic Review*, 33 (1989), 310–20; Bernard Herz and Werner Röger, 'The EMS Is a Greater Deutschmark Area', *European Economic Review*, 36 (1992), 1413–25; and David Currie, Paul Levine and Joseph Pearlman, 'European Monetary Union or Hard EMS?' *European Economic Review*, 36 (1992), 1185–204.

⁴⁹ Henry and Weidman, 'German Unification and Asymmetry in the ERM', pp. 894–5, fn. 1.

⁵⁰ See Edward H. Gardner and William R. M. Perraudin, 'Asymmetry in the ERM: A Case Study of French and German Interest Rates before and after German Unification', *IMF Staff Papers*, 40 (1993), 427–50; von Hagen and Fratianni, 'German Dominance'; Michael J. Artis and Dilip Nachane, 'Wages and Prices in Europe: A Test of the German Leadership Thesis', *Weltwirtschaftliches Archiv*, 126 (1990), 59–77; Hans-Dieter Smeets, 'Does Germany Dominate the EMS?' *Journal of Common Market Studies*, 29 (1990), 37–52; and Herz and Röger, 'Greater Deutschmark Area'. Henry and Weidman find that German acted as a Stackelberg leader in setting the structure of European interest rates only for the period 1991–93; Herz and Röger ascribe such a role to Germany only in its relationship with Denmark, France, Ireland and the Netherlands.

and long-term interest rates are independent of European or Japanese interest rates; and American interest rates influence the structure of European interest rates.⁵¹ The Bundesbank has found that German short-term interest rates are determined jointly by the structure of US interest rates, the DM–\$ exchange rate and German domestic variables, including its payment position and foreign reserves. In the view of the Bundesbank, Germany possessed at best asymmetric monetary power within Europe subject to American macroeconomic fortunes.⁵² However, even that modest conclusion is both directly and indirectly contested by those investigating the causes of German monetary influence within the EU.

The quasi-fixing of European exchange rates prior to January 1999, the widespread capital mobility in Europe, and the ‘anti-polar’ role of the Deutschmark against the dollar in the international monetary system are identified as the structural sources of Germany’s asymmetrical monetary power. Yet a structural understanding of why Germany is capable of exercising asymmetrical power does not explain the willingness of the Europeans to accept or be complicit in the wielding of that power.⁵³ An influential body of work has suggested that the member states of the European Monetary System (EMS) have acquiesced to German monetary power as a method of reducing the cost of lowering inflation in high inflation countries.⁵⁴ Yet the problem of causation persists: Michael Artis and Dilip Nachane demonstrate that it is difficult to support the notion of either an imposed or borrowed German standard owing to the general decline of inflation within the Organization for European Co-operation and Development (OECD) as a whole rather than just within the EMS.⁵⁵ Consequently, it may be that all states have coalesced around a ‘German standard’ or that a change of monetary theory and fashion has occurred – the emergence of a ideational convergence on the neutrality of money and the

⁵¹ See Deutsche Bundesbank, ‘Die Bedeutung internationaler Einflüsse für die Zinsentwicklung am Kapitalmarkt’, *Monatsbericht*, 49 (July 1997), 23–40, p. 34; and Deutsche Bundesbank, ‘Capital Market Rate Movements since the Beginning of the Nineties’, *Monthly Report*, 48 (November 1996), 17–32, p. 25.

⁵² See Bundesbank, ‘Die Bedeutung internationaler Einflüsse’; Bundesbank, ‘Capital Market Rate Movements’; Michael J. Artis, S. Avouyi-Dovi, E. Bleuze and F. Lecointe, ‘Transmission of US Monetary Policy to Europe and Asymmetry in the European Monetary System’, *European Economic Review*, 35 (1991), 1369–84; Smeets, ‘Does Germany Dominate’; and Gardner and Perraudin, ‘Asymmetry in the ERM’. There is additional empirical bad news, which indicates a fragility in German monetary influence: France seized a leadership role in Europe in 1990, albeit for a relatively brief moment in an extraordinary set of circumstances, and evidence exists that portfolio shifting has occurred between the Deutschmark and other currencies like the guilder which enjoyed a reputational ‘hardness’ on a par with the Deutschmark. Both developments suggested a deterioration in the asymmetry of monetary relations within Europe prior to 1999. See Gardner and Perraudin, ‘Asymmetry in the ERM’, p. 446; von Hagen and Fratianni, ‘German Dominance in the EMS’, p. 374, fn. 7.

⁵³ This question is addressed in Volker Wieland, ‘Monetary Policy Targets and the Stabilization Objective: A Source of Tension in the EMS’, *Journal of International Money and Finance*, 15 (1996), 95–116.

⁵⁴ See Giavazzi and Pagano, ‘Tying One’s Hands’; and Currie *et al.*, ‘European Monetary Union’.

⁵⁵ Artis and Nachane, ‘Wages and Prices in Europe’.

desirability of price stability – among the world's central bankers that has its likely origin in Chicago rather than in Frankfurt.

The hegemony thesis in the context of German macroeconomic influence none the less finds support in two critical areas: the ability of the Germans to write the rules of the monetary game for post-Maastricht Europe; and the German success in convincing its European partners that the independence of central banks from political accountability is a virtue rather than a vice, that price stability is to be prized above any other macroeconomic policy target, and that following German economic precepts will guarantee long-term economic success and societal stability.⁵⁶ Independent of the final verdict reached by economic historians on the question of German monetary influence in Europe between 1973 and 1999, the probable success of European Monetary Union will remove the Bundesbank as the manager of Europe's money and seriously compromise the ability of the German government to leverage that power in international fora, particularly if there is a wide-reaching change in theoretical fashion that calls into question the neutrality of money.

Summary

German dominance of the European economic and political space has become axiomatic. While it would be unproductive to argue that Germany is not an important or even the most important European state today, that rank does not confer upon Germany an exploitable source of structural power with either France, Britain or Italy. Neither the structure of trade nor direct foreign investment supports German dominance in Central and Eastern Europe. Moreover, the contemporary structure of European trade and finance reflects a felicitous combination of liberal trade policies and the individual decisions of economic agents independent of government coercion. German corporations, traders and bankers presumably make their decisions to lend, buy, sell or invest based on calculations of profit and loss, rather than on considerations of national prestige or geoeconomic advantage. Consequently, it is difficult to understand how the German state derives fungible power from trade and financial relationships that reflect the decisions of autonomous decision makers responding to the twin impulses of profit and loss as well as the pressures attending the globalization of the German economy.

In the area of the macroeconomy and exchange rates, however, a case can be made for asymmetrical German influence within Europe prior to January 1999. But even in this policy domain, German dominance remains problematic. First, the Bundesbank was ill-positioned and disinclined to employ its power for cross issue-linkage and the Federal government could not credibly offer to do so. Secondly, German power and influence in this domain eroded as its partner

⁵⁶ The adoption of German macroeconomic norms can be read alternatively as a response to the seeming failure of Keynesian demand management policies in the post-war period and the relative economic success of countries with independent central banking systems, particularly Germany and the United States.

states achieved a similar level of stability and economic performance.⁵⁷ A third problem confronting German monetary power is located in the necessary collusion of the other European central banks and treasuries for its successful exercise. Finally, German monetary autonomy and power in Europe has depended upon a stable and benign American macroeconomy. Without that external environment, German – and now European – monetary policy is forced to accommodate or resist American monetary mismanagement and the gyrations of the dollar.⁵⁸

GERMANY'S ROLE IN CENTRAL AND EASTERN EUROPE

One manifestation of hegemonic power is the process of hegemonic socialization, defined as the manipulation of substantive beliefs to legitimize hegemonic rule. This process requires a specific and permissive international environment. It only occurs after wars and political crises; requires elite receptivity in the subordinate states to the cultural norms of the hegemonic state; and is accomplished in large part by the manipulation of material incentives.⁵⁹ Setting aside the question of whether Germany possesses the material capabilities of a hegemonic or dominant state, there is the additional question of whether the European context would support the exercise of German hegemony.

The end of the cold war and the subsequent widespread legitimacy crises in Central and Eastern Europe have created the opportunity for a dominant state to leave its ideological imprint on the emerging democratic elites. The context for hegemonic socialization is generally favourable in Central and Eastern Europe. The CEE states have embraced West European norms with regards to the conduct of economic policy and accepted as legitimate the criteria for membership in the North Atlantic Treaty Organization (NATO) and the EU. More specifically there is evidence that these states have actively sought to adopt and apply the lessons of *Modell Deutschland* in the transition to democracy and the market economy. Hegemonic socialization (or its neo-Gramscian variant) would be an elegant and all-encompassing explanation of the apparent emulation of German institutional forms and norms in Central and Eastern Europe. It also reinforces those arguments emphasizing the 'soft' exercise of German power in atypical diplomatic forms (persuasion rather than coercion, multilateralism rather than unilateralism) to service the German national interest. But such arguments suffer a serious defect: the critical functional element of hegemony, structural power, is missing. Germany does not meet

⁵⁷ See Deutsche Bundesbank, 'Decision on Interest Rate Rise of October 9, 1997', *Monthly Report*, 49 (October 1997), 17–18, p. 17.

⁵⁸ See C. Randall Henning, 'Systemic Conflict and Monetary Integration in Europe', *International Organization*, 52 (1998), 537–74; C. Fred Bergsten, 'America and Europe: Clash of the Titans?' *Foreign Affairs*, 78 (1999), 20–34; and James Sperling, 'The German Quest for Economic Security Since 1945', in Peter Merkl, ed., *The Federal Republic at Fifty* (New York: NYU Press, 1999), pp. 275–86.

⁵⁹ G. John Ikenberry and Charles A. Kupchan, 'Socialization and Hegemonic Power', *International Organization*, 44 (1990), 283–315.

the minimum threshold of power expected of a hegemonic or dominant state. An alternative explanation of the process of institutional emulation is required.

The process of institutional adaption and emulation can be better understood by system-level explanations other than some variant of hegemonic socialization. The first focuses on the deep structure of the international system. One element of the deep structure of the international system, the non-differentiation of units, requires states 'to try to be functionally alike – alike in the capacities that they pursue.'⁶⁰ This requirement suggests that states will converge on a narrow range of successful institutional forms in the management of those policy areas that directly contribute to national autonomy or survival. External challenges to either state autonomy or survival will precipitate a convergence on a narrow range of institutional forms that both satisfy the external exigency of survival and violate least domestic value.

There are at least three historical examples where threats to national survival or national competitiveness initiated a process of institutional emulation and innovation: the system-wide transition from a reliance upon mercenary armies to citizen armies in the wake of the Napoleonic wars,⁶¹ the transition from bullion and a decentralized systems of mints to the use of paper currency and the establishment of national central banks; and Meiji Japan. Each form of institutional innovation and subsequent emulation promised either a higher prospect for survival (citizen armies proved superior to mercenary armies on the battlefield) or competitiveness (central banks and paper money facilitated the expansion of credit that fostered economic growth and provided governments with a much needed source of seignorage). Likewise, the experience of Meiji Japan suggests that modernizing states, which the states in transition can be considered, will borrow promiscuously from states viewed either as successful or as relevant to the national stage of development.⁶² The process of institutional emulation, that of national adaptation and the rationale driving those processes is less clear-cut in Central and Eastern Europe, but the Meiji example is thought

⁶⁰ See John Gerard Ruggie, 'Continuity and Transformation in the World Polity: Toward a Neorealist Synthesis', in Robert O. Keohane, ed., *Neorealism and Its Critics* (New York: Columbia University Press, 1986), pp. 131–57, at pp. 135.

⁶¹ See J. Gooch, *Armies in Europe* (London: Routledge & Keegan Paul, 1980), p. 80; and Janice E. Thomson, 'State Practices, International Norms, and the Decline of Mercenarism', *International Studies Quarterly*, 34 (1990), 23–48, pp. 31–2

⁶² The Japanese borrowed from the British for the organization of the navy, from the Prussians for the constitutional order and social policy, from the French for the legal codes and organization of the police and education, and from the United States for the establishment of a commercial banking system. For a comprehensive discussion of these institutional developments, see Hirakawa Sukehiro, 'Japan's Turn to the West', in Marius B. Jansen, ed., *The Cambridge History of Japan: Volume 5, The Nineteenth Century* (Cambridge: Cambridge University Press, 1989), pp. 432–98, at p. 465; W. G. Beasley, 'Meiji political institutions', in Jansen, *The Cambridge History of Japan*, pp. 618–73, at p. 643; Kenneth B. Pyle, 'Meiji Conservatism', in Jansen, *The Cambridge History of Japan*, pp. 674–73, at p. 701; and E. Sydney Cawcours, 'Industrialization and Technological Change, 1885–1920', in Peter Duss, ed., *The Cambridge History of Japan: Volume 6, The Twentieth Century* (Cambridge: Cambridge University Press, 1988), pp. 385–450, at p. 391.

provoking. From this vantage point, it comes as no surprise that the CEE states looked to the institutional organization of the American and German political economies as models for their own transitions to democracy and the market.

A secondary explanation for the observed pattern of institutional borrowing by the CEE states focuses on their collective desire to join the EU. Pressure to conform with the *acquis communautaire* and more importantly with the Maastricht Treaty goes a long way to explain the process of institutional and normative emulation in Central and Eastern Europe. Even though German economic norms fully flavour the content and form of monetary union, it is also the case that the asymmetry within the EU is modified by the system of weighted voting which enhances the power of France, Italy, the United Kingdom and even Spain at the German expense. Unless one is willing to make the heroic assumption that German preferences not only dictate the European agenda but predetermine policy outcomes, the need to conform with the *acquis communautaire* more plausibly explains the institutional and legal emulation in Central and Eastern Europe than does German hegemony.

It is superficially plausible that the emulation of the German financial model in Central and Eastern Europe represents a clear case of hegemonic socialization: the Bundesbank Act and the German Banking Act have served as model legislation for many CEE states.⁶³ However, the absence of hegemony, the pressure towards the nondifferentiation of states, and the antecedent case of Japan provide better alternative explanations: there is a world-wide trend towards the embrace of universal banking, even in the United States;⁶⁴ the adoption of the German rather than the Anglo-American commercial banking model provides the least-cost approach to making a successful transition to the market economy and best fits the needs of capital-poor states; and the patterning of national central banks on the Bundesbank is simply the best way to prepare for EU membership and eventual participation in EMU.

UNRAVELLING THE PARADOX OF GERMAN 'STRUCTURAL POWER' AND GERMAN 'RELUCTANCE'

The debate surrounding German power inevitably invokes a confrontational logic. The post-war hesitancy to employ German military power outside the narrow compass of NATO Europe is interpreted as a political failing rather than as an appropriate response to an external environment where a German military contribution would neither yield an improvement in Germany's material interest nor lend a marked advantage or political cover to an American-led coalition.⁶⁵ More misleading, however, is the conception of Germany as a political dwarf

⁶³ Deutsche Bundesbank, 'The Bundesbank's Technical Central Bank Cooperation with Countries in Transition', *Monthly Report*, 49 (April 1997), 47–52, p. 52.

⁶⁴ Anderson *et al.*, *Banking Sector Development*, p. 34.

⁶⁵ The German reluctance to become party to militarized conflicts should be viewed as a 'normal' case of free-riding in an alliance dominated by a benevolent hegemon.

and economic giant, neither of which is completely supported by the empirical or historical record. In other words, Germany does not face the option of either seeking its rightful place as a *Weltmacht* or being consigned to economic wealth conjoined to political dwarfism.⁶⁶ The debate has largely excluded the middle ground occupied by a conceptualization of Germany as a 'civilian' power of middle rank with a legitimately narrow set of regionally defined interests.⁶⁷ There is no compelling reason why any state or Germany in particular should seek or possess the ability to project military power in the contemporary European security order.

The puzzle of German structural power and the 'ideology of reluctance' only exists if it can be demonstrated that Germany not only possesses structural power, but has exhibited a patterned reluctance in its exercise. The 'ideology of reluctance' argument rests on at least two assumptions. First, Germany's objective power should have produced a more favourable external context for German interests and preferences; and secondly, Germany has not pressed its interests in key areas of international politics and has abandoned sovereignty to multilateral institutions in a sustained policy of self-abnegation. Put differently, those who favour the argument that Germany has been a reluctant power must demonstrate that there has been a gap between German power capabilities and German policy objectives. These two assumptions, and the argument suggesting an ideology of reluctance to explain the real and imagined constraints on Germany, face three separate objections.

First, relative German power and German (in)ability to achieve its internal or external policy objectives are not adequately captured by indicators which decontextualize German power. Often forgotten – or ignored – is the countervailing power exercised by the two extra-European states after 1945. The exercise of German power was curtailed by allied troops stationed in Germany, German dependence upon those troops for Germany's security and allied prerogatives attending the occupation. Allied goodwill and a certain subservience to allied interests was the price paid for diplomatic support of German unification. The decontextualization of German power – of treating the European state system as independent from and unencumbered by an international system dominated by the United States and populated by Japan and others – generates an unwarranted gap between German power and expected German ambition and influence.

Secondly, Germany has not been a reluctant actor. While it would be foolish

⁶⁶ Germany, to draw on an indigenous literary metaphor, is neither Alberich nor Siegfried.

⁶⁷ A state may be classified as a polar power if it possesses at least half of the power resources possessed by the largest power in the system; the remaining states are classified as middle powers; this decision-rule is found in Randall Schweller, 'Tripolarity and the Second World War', *International Studies Quarterly*, 37 (1993), 73–104, p. 75. I have calculated, on a global basis, the relative power capabilities of seven states: Britain, 0.064; China, 0.231; France, 0.069; Germany, 0.078; Japan, 0.165; Russia 0.042; and the United States, 0.352. The results indicate that the United States and China are polar powers, Japan is a near candidate for polar status, and Germany, along with the other European states, is clearly a middle power.

to argue that Germany did not face formidable constraints in the conduct of its foreign policy, it is also remarkable how consistently Germany pressed its interests in two of the most important domains of foreign policy: nuclear weapons and macroeconomic policy. Both of these issue areas were core elements of the German foreign policy agenda and for good reason: the disposition and use of nuclear weapons threatened the very existence of Germany; and a stable macroeconomy was viewed as the bedrock of a successful and stable democracy.

Germany made a concerted effort over the entire course of the post-war period to attain significant control over the disposition and use of NATO nuclear weapons.⁶⁸ Germany consistently sought the two goals of political equality and equal security within the alliance. More generally, Germany promoted nuclear doctrines within NATO that prevented the consignment of Germany to a nuclear battleground in the event of war. Germany only provided the allied powers with a hedged renunciation of the right to manufacture nuclear weapons – the pledge was given *rebus sic stantibus*. Moreover, Germany kept open the door for the eventual ownership of nuclear weapons as part of either a national or multinational deterrent. As early as 1958 Germany was reputed to have entered into talks with France over establishing a nuclear partnership; and Germany firmly supported the creation of a NATO nuclear force, the ill-fated Multilateral Force (MLF), and in 1964 expressed a willingness to proceed on a bilateral basis with the United States.⁶⁹ The disposition, use and credibility of the American nuclear deterrent remained an episodic source of conflict and contention in German–American relations: in 1977, Chancellor Schmidt authored the double-track proposal that severely complicated German–American relations in the early 1980s; Foreign Minister Genscher sought the removal of American battlefield, short-range and intermediate-range nuclear weapons from German soil; and Foreign Minister Fischer's proposal that NATO make a 'no first use declaration' was reflexively and effortlessly dismissed by France, the United Kingdom and the United States. Unless the position is adopted that the non-nuclear status of Germany is a systemic aberration,⁷⁰ it is difficult to argue that Germany has acted reluctantly in the nuclear theatre.

Successive German governments defended the German conception of macroeconomic propriety, the stable internal value of the Deutschmark, and an undervalued rate of exchange against the currencies of its major trading partners. An assertive German diplomacy in the area of exchange rates and macroeconomic policy was evident as early as 1949 when the German

⁶⁸ See Christoph Bluth, *Britain, Germany and Western Nuclear Strategy* (Oxford: Clarendon Press, 1995).

⁶⁹ See Bluth, *Britain, Germany and Western Nuclear Strategy*, p. 98; and Hanrieder, *Germany, America, Europe*, p. 23. For an interpretation which treats Germany as following the American lead on MLF, see Mary N. Hampton, *The Wilsonian Impulse: US Foreign Policy, the Alliance, and German Unification* (Westport, Conn.: Praeger Publishers, 1996), pp. 98–102.

⁷⁰ See David Garnham, 'Extending Deterrence with German Nuclear Weapons', *International Security*, 10 (1985), 96–110; and John Mearsheimer, 'Back to the Future: Instability in Europe after the Cold War', *International Security*, 15 (1990), 5–56.

government, in response to the devaluation of the pound sterling, pushed for a 22.5 per cent devaluation of the Deutschmark against the dollar.⁷¹ As the 1950s progressed and the 'economic miracle' worked its magic for the European and German economies, it became apparent to the US Treasury that the Deutschmark was undervalued against the dollar. The German government refused to revalue the Deutschmark by a modest amount in the mid-1950s and the eventual German revaluations in 1961 and 1969 failed to correct Germany's persistent balance of payments disequilibrium. German governments ascribed currency crises in the 1960s to the wayward macroeconomic policies of its neighbours and the United States; and minimized the role played by an undervalued Deutschmark. This trend in German exchange rate diplomacy continued until early 1971 when Germany unilaterally freed the Deutschmark from the dollar. Subsequent German efforts to tie the currencies of its primary European trading partners to the Deutschmark were designed to forestall the loss of commercial competitiveness attending the unilateral float (and revaluation) of the Deutschmark against the dollar. While the United States could and did apply extraordinary pressure on Germany by linking the \$-DM exchange rate to the American security guarantee, it underlines American power rather than Germany's reluctance to pursue its self-interest.

In the more recent past, the Kohl government set the terms and institutional form of EMU; and subsequent to the Maastricht Treaty succeeded in locating the seat of the new central bank in Frankfurt.⁷² Germany also laid an unrecognized claim to the role of gate-keeper to the first round of monetary union, but in the end only possessed the power (along with France) to retard or derail it. The momentum towards monetary union since January 1999 has stripped Germany of those prerogatives as well. Yet it remains true that EMU largely institutionalized the German preference for monetary stability and central bank independence. Perhaps more importantly, successive German governments have succeeded in plausibly conflating the particularistic German interest in the form and content of domestic macroeconomic management with the European interest.

A third argument marshalled against a German foreign policy dominated by an ideology of reluctance may be located in what Emer Martin called in a different context the lesson of the blind midget: the choice of the yardstick employed for comparison speaks volumes about the expectations held for the subject measured.⁷³ National Socialist Germany is all too often the unspoken yardstick against which post-war Germany is measured. While Germany fares well in comparison to its predecessor, the comparison carries with it an expectation that Germany could suddenly embark upon a reckless foreign

⁷¹ The Adenauer government eventually settled for a 20 per cent reduction of the Deutschmark rather than the 15 per cent favoured by the French; see Milward, *The Reconstruction of Western Europe*, p. 387.

⁷² See James Sperling, 'German Foreign Economic Policy after Unification: The End of Cheque Book Diplomacy', *West European Politics*, 17 (1994), 73-97, p. 82.

⁷³ Emer Martin, *Breakfast in Babylon* (New York: Houghton and Mifflin, 1995), p. 196.

policy. A more appropriate and demanding yardstick would treat Germany as a status quo power aligned with a global hegemon, rather than as a revisionist power opposed to it. Arguably, the post-war German elite drew the appropriate lesson from the twin defeats of two world wars. Rather than speaking, therefore, of a reluctant Germany constrained only by an act of will or conscience, we should point instead to the belated recognition that Germany must seek a tenable equilibrium between its preferences and limited power.

COLLECTIVE MEMORY AS A SYSTEM-LEVEL CONSTRAINT ON GERMAN POWER

The foregoing analysis presented a system-level explanation of German foreign policy preferences and modalities consistent with the multipolar structure of power in Europe. There is no empirical support for the widespread anticipation of German dominance or hegemony, the trepidation accompanying the unification of Germany and its impact on the European order, or the fears attending the 'normalization' of German foreign policy. Problematically, a system-level narrative that focuses solely on material capabilities denies the collective memory of Auschwitz an appreciable role in the evolution and content of post-war German foreign policy. While this line of argumentation would possess the virtue of analytical consistency, it is troubling empirically and normatively. Markovits and Reich in particular draw attention away from structural and institutional narratives of German foreign policy with their emphasis on the collective historical memory of Auschwitz.⁷⁴ Yet they only capture half the collective memory relevant to an analysis of Germany's post-war past and its post-cold war future. There are two relevant historical memories: the one shared within a national society that contributes to national identity and the definition of interest; and the one shared by a society of states which contributes to collective identity formation and definition of interest.⁷⁵

The broader metaphor of Weimar better captures the national collective memory relevant to German foreign policy ambitions and intentions.⁷⁶ Post-war

⁷⁴ Markovits and Reich, *The German Predicament*.

⁷⁵ On the interaction between the definitions of interest and of identity, see Alexander Wendt, 'Collective Identity Formation and the International State', *American Political Science Review*, 88 (1994), 384–96.

⁷⁶ It is my position that Weimar functioned as the overarching normative structure giving meaning to Germany's post-war experience. Moreover, there are considerable problems with Auschwitz as a domestic constraint on German foreign policy: in the immediate post-war period, the Germans were unwilling to accept either collective responsibility or collective guilt (in as late as 1951, almost two-thirds of those polled in Germany rejected both collective guilt and collective responsibility), exhibited an ambivalent attitude towards National Socialist Germany itself (in 1951, 40 per cent of those asked believed that the period 1933–39 was the best time for Germany in that century; and 45 per cent preferred the period before the First World War), and were unwilling to accept responsibility for the outbreak of the Second World War (only in 1962 did over 50 per cent of Germans accept that responsibility). To the extent that money may be considered a measure of contrition, there is clear evidence that the German restitution payments made to Israel were seen at the time as excessive and were a cause of considerable political debate within Germany. More

German identity and definition of interest have been largely shaped by the Weimar failures. The Bonn Republic was haunted by hyperinflation, political chaos, war, defeat, division, immiseration and occupation that flowed from the multiple flaws of the Weimar Constitution and political culture. Post-war German foreign (and domestic) policy is best read as a preoccupation with avoiding any domestic or international development that could unleash the forces that aborted democratic Weimar and brought National Socialist Germany to birth. Although Auschwitz is certainly the most shameful chapter in that larger story, its emplacement along the hierarchy of trauma in the German collective memory is dominated by the failure of Weimar – an assessment consistent with the close connection made in the German mind between price stability and democratic governance; an unwarranted pessimism with the prospects for German democracy; and recurrent fears that Bonn may well be Weimar.⁷⁷ The Weimar example defined for the Bonn Republic the appropriate targets of economic policy (low inflation) and institutions of economic management (an independent and depoliticized central bank), institutions of political governance (a multiparty system protected by complex electoral laws and the constructive vote of no confidence), and a reorientation of German security policy towards Western Europe.⁷⁸

The placement of Auschwitz in that same story is weighted very differently

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interestingly, as the Germans were negotiating a \$822 million payment to Israel as restitution, the German government was also negotiating a 50 per cent reduction in an external debt of \$7 billion – a reduction that easily covered the reparation payments to Israel.

Public opinion data drawn from, respectively, Richard L. Merritt, *Democracy Imposed: US Occupation Policy and the German Public, 1945–1949* (New Haven, Conn.: Yale University Press, 1995), p. 143; Elisabeth Noelle and Erich Peter Neumann, *Jahrbuch der Öffentlichen Meinung, 1947–1955* (Allensbach am Bodensee: Verlag für Demoskopie, 1956), p. 130; and Elisabeth Noelle and Erich Peter Neumann, *Jahrbuch der Öffentlichen Meinung, 1965–1967* (Allensbach am Bodensee: Verlag für Demoskopie, 1967), p. 146. On the negative political reaction to the reparations to Israel, see Karl W. Deutsch and Lewis J. Edinger, *Germany Rejoins the Powers: Mass Opinion, Interest Groups, and Elites in Contemporary German Foreign Policy* (Stanford, Calif.: Stanford University Press, 1959), pp. 168ff. For a sceptical account of German contrition for the Holocaust, see Lily Gardner Feldman, 'German Morality and Israel', in Peter Merkl, ed., *The Federal Republic of Germany at Forty* (New York: NYU Press, 1989), pp. 442–63; and Jeffrey K. Olick, 'What Does It Mean to Normalize the Past? Official Memory in German Politics since 1989', *Social Science History*, 22 (Winter 1998), 547–71.

⁷⁷ Weimar cast a pall over the October 1982 debate on the constructive vote of no confidence. The theme that Bonn is (or is not) Weimar has also emerged periodically in German commentary. See Fritz René Allemann, *Bonn ist nicht Weimar* (Cologne: Kiepenheuer & Witsch, 1956); Barthold Witte, 'Two Catastrophes, Two Causes, and How the Germans Dealt with Them', *Daedalus*, 123 (1994), 235–49; Marion Gräfin von Dönhoff, 'Von Weimar kann keine Rede nicht sein', *Die Zeit*, 48 (27 November 1992); and Volker Ulright, 'Das Weimar-Syndrom', *Die Zeit*, 28 (16 July 1993); and Joyce Marie Mushaben, *From Post-War to Post-Wall Generation: Changing Attitudes Toward the National Question and NATO in the Federal Republic of Germany* (Boulder, Colo.: Westview, 1999), p. 85.

⁷⁸ The desire to avoid the constitutional and institutional failings of Weimar is evident in 'Statement of the Parliamentary Council Committee of Five on the Federal Character of the Draft Basic Law' (14 February 1949), in Beate Ruhm von Oppen, ed., *Documents on Germany Under Occupation, 1945–1954* (Cambridge: Cambridge University Press, 1955), pp. 361–5.

for Germany's partners and neighbours. Auschwitz is more than a historical event that represents the industrial genocide of European Jewry, gypsies and others; rather, it is the collective memory that summarizes the slaughter of the Second World War on and off the battlefield. For the victors and victims of the Second World War, German war crimes quickly metastasized into the 'universal reference point of human depravity'.⁷⁹ Nazi Germany violated the prohibitionary norms of the law of nations governing the conduct of war, particularly the treatment of prisoners of war and the occupation of enemy territory. Germany was marked as an outcast within the European state system; the states of the European system withdrew their recognition of Germany and revoked its sovereign powers. The systematic and egregious violations of the laws and customs of warfare irrevocably altered our understanding of Germany's role in the European state system and our frame of reference for the assessment of German intentions and power.

The constructivist approach to international relations provides a mechanism for integrating the collective memory of Auschwitz into a system-level explanation of German foreign policy. Constructivism provides two important insights: states operate in an international system which is material as well as social; and material structures are given meaning by (and can only be understood within) that environment, which in turn has a normative component.⁸⁰ Put somewhat differently, the material structure of power in the international system is not strictly observer-independent; namely, power and the elements of power lack exclusively intrinsic (or observer-independent) properties. Rather, power and its elements are partially, if not entirely, observer-dependent; the values and meanings assigned either to power or its constituent elements are dependent upon the perceptions and understandings given to them by individual agents.⁸¹ This line of reasoning, in conjunction with the assumption that states operate in both a normative and historical context, suggests that 'material power matters, but within a framework of normative expectations embedded in public and customary international law'.⁸² The law of nations both defines what constitutes a legitimate state, particularly its intrinsic qualities, and establishes the parameters of state action. Thus, the prohibitionary norms enumerated in the rules of war not only function as injunctions against particular types of behaviour, but are 'implicated in the productive process of constituting identities as well: actors have images of themselves as agents who do or don't do certain sorts of things.'⁸³

⁷⁹ Ian McEwan, *Black Dogs* (New York: Anchor Books, 1999), p. 15.

⁸⁰ Jeffrey T. Checkel, 'The Constructivist Turn in International Relations Theory', *World Politics*, 50 (1998), 324–48, pp. 325–6.

⁸¹ John R. Searle, 'I married a computer', *New York Review of Books*, 46 (8 April 1999), pp. 37–8.

⁸² Ronald L. Jepperson, Alexander Wendt and Peter J. Katzenstein, 'Norms, Identity, Culture and National Security', in Peter J. Katzenstein, ed., *The Culture of National Security: Norms and Identity in World Politics* (New York: Columbia University Press, 1996), pp. 33–78, at p. 45.

⁸³ The concept of prohibitionary norms is developed in Richard Price and Nina Tannenwald, 'Norms and Deterrence: The Nuclear and Chemical Weapons Taboos', in Katzenstein, *The Culture of National Security*, pp. 114–52, at p. 125. Norm typologies can be found in Martha Finnemore and

The pre-war European state system constituted an identifiable geographic and normative space; it possessed a transnational identity rooted in a 'common background in the Christian religion and the civilisation of Greece and Rome'.⁸⁴ Interstate relations were regulated by an accepted body of public international law, including an elaborate and well-defined body of laws and customs governing the conduct of warfare. The laws and customs of warfare constituted a set of prohibitory norms that differentiated 'civilized' European states from the 'uncivilized' non-European periphery and distanced Europe from the barbaric conduct of warfare during the Middle Ages. Nazi Germany unquestionably violated the constitutive norms of a European state during its execution of the war; it acted contrary to the expectations collectively held for 'the States of Western civilization'.⁸⁵ The German violation of the norms of land warfare were particularly egregious not simply because a European power had mistreated prisoners of war or failed to adhere to the norms governing a military occupation, but because a European power failed to adhere to those standards in its conduct vis-à-vis other members of European society.⁸⁶

The laws of warfare were codified in a number of treaties to which the majority of the European powers were signatories.⁸⁷ The Hague Conventions of 1899 and 1907 as well as the Geneva Conventions of 1929 specified the obligations of states in their treatment of prisoners of war, and the rights, responsibilities and obligations of occupying powers.⁸⁸ These laws and customs

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Kathryn Sinkkink, 'International Norm Dynamics and Political Change', *International Organization*, 52 (1998), 887–917, p. 891; and Audie Klotz, 'Norms Reconstituting Interests: Global Racial Equality and US Sanctions Against South Africa', *International Organization*, 49 (1995), 451–78, p. 462.

⁸⁴ J. L. Brierly, *The Law of Nations: An Introduction to the International Law of Peace* (Oxford: Clarendon Press, 1949), p. 42; Charles de Visscher, *Theory and Reality in Public International Law* (Princeton, NJ: Princeton University Press, 1957), pp. 88ff.

⁸⁵ See also L. Oppenheim, *International Law: A Treatise. Vol. II, War and Neutrality* (London: Longmans, Green, 1906), pp. 74ff; L. Oppenheim, *International Law: A Treatise. Vol. II, Disputes, War and Neutrality*, edited by H. Lauterpacht, 7th edn (London: Longmans, Green, 1952), p. 576; and Gerritt W. Gong, *The Standard of 'Civilisation' in International Society* (Oxford: Clarendon Press, 1984).

⁸⁶ This argument is suggested by Martha Finnemore's finding that European intervention prior to 1945 only occurred when Europeans were threatened by non-Europeans (Martha Finnemore, 'Constructing Norms of Humanitarian Intervention', in Katzenstein, *The Culture of National Security*, pp. 153–85, at pp. 168–9).

⁸⁷ The most important treaties include the Declaration of Paris (1856); the Geneva Convention (1864); Declaration of St Petersburg (1868); Hague Conference (1899 and 1907), particularly the Regulations respecting the Laws and Customs of War on Land; the unratified Brussels Declaration (1874), which formed the basis of the Hague Conventions (1899); and the Geneva Conventions (1929). See Oppenheim, *International Law*, pp. 76–8; and Alex Möller, *International Law in Peace and War: Part I, Normal International Relations* (London: Stevens and Sons, Ltd., 1931), pp. 16–38.

⁸⁸ These conventions formalized the eighteenth-century customary rule 'that private enemy individuals should not be killed or attacked.' Moreover, Articles 46, 48, 52 and 56 of the Hague Conventions covered genocide as it became understood in the 1948 UN Convention. See Oppenheim, *International Law*, pp. 74 and 120–1; and Raphaël Lemkin, *Axis Rule in Occupied Europe: Laws*

defined as war crimes, *inter alia*, the ill-treatment of prisoners of war, the killing or attacking of harmless private enemy individuals, desecration or disgraceful treatment of the dead, and the unjustified appropriation and destruction of private property. The norms governing the occupation of enemy territory during war prohibited the forced deportation of civilians, slave labour and the indiscriminate killing of civilians. Nazi Germany violated this entire body of custom and law, which was recognized as binding and legitimate 'by all civilized nations and [was] regarded as being declaratory of the laws and customs of war.'⁸⁹

The lasting impact that the German violation of these norms had on the perceptions and understanding of post-war Germany suggests that the customs and law of land warfare had evolved well beyond the stage of 'norm cascade', the stage at which international norms are stipulated to shape identity and interest.⁹⁰ The norms of land warfare met the norm robustness criteria of specificity (the treatment of enemy civilians in occupied territory and prisoners of war is unambiguous), durability (these norms were among the most evolved in public international law and their codification began in the mid-nineteenth century); and concordance (the major European powers, excepting the Soviet Union, were signatories to both the Hague Conventions of 1899 and 1907, and the Geneva Convention of 1929).⁹¹ These norms constituted the interests and identities of European states in the conduct of war; and their violation was a transgression of those properties considered intrinsic to a European state, a conclusion supported by the wartime and post-war response to the systematic and unprecedented transgressions of those norms by Nazi Germany.⁹²

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of *Occupation, Analysis of Government, Proposals for Redress* (Washington, DC: Carnegie Endowment for International Peace, 1944), pp. 90ff.

⁸⁹ Lauterpacht's Oppenheim, *International Law*, p. 234. The International Military Tribunal described the Barbarossa Jurisdiction Order (1941), which governed the German occupation in central and eastern Europe, as 'criminal in design and execution'. The order violated Articles 22 and 46 of the Hague Regulations, which limits the means employed to harm the enemy and governs occupation policy, respectively. Gross violations of Articles 27–33 of the Geneva Convention, particularly with respect to Russian prisoners of war, was a second major war crimes category. An outline of the Order can be found in Lauterpacht's Oppenheim, *International Law*, p. 216, fn. 1.

⁹⁰ Finnemore and Sikkink, 'International Norm Dynamics', pp. 887–917. Finnemore and Sikkink establish two criteria which must be met for a norm cascade to occur: first, at least one-third of the states in the international system adopt the norm in question, signified by ratifying an international agreement or treaty; and secondly, the critical states of the system embrace the norm. The Hague Conventions met these criteria. As Oppenheim noted in 1906, 'all the great Powers and the greater number of the smaller Powers are already parties to the Convention.' Not only were the critical states of the European state system signatories to these agreements, but he believed that 'even if a few should never join, the moral force of the Regulations is so overpowering that practically all belligerents will carry them out'. See Oppenheim, *International Law*, p. 78.

⁹¹ See Jeffrey W. Legro, 'Which Norms Matter? Revisiting the "Failure" of Internationalism', *International Organization*, 51 (1997), 31–64, pp. 33–5.

⁹² German war crimes and the intention to punish the perpetrators were contained in public speeches and declarations beginning with a joint statement by Prime Minister Churchill and President Roosevelt on 25 October 1941; the St James Palace statement of 13 January 1942; speeches by

One consequence of the German violation of the laws of warfare was the multilateralization and institutionalization of German power – Germany was largely constrained over the course of the post-war period from undertaking unilateral foreign policy initiatives, with the notable exception of the *Ostpolitik*. German foreign policy was (and remains) constrained and constituted by its membership in and formal surveillance by integrative institutions like NATO, the Western European Union (WEU), and the EU. A second consequence was a lingering sensitivity to German power that reflected a desire to disable Germany permanently and pre-emptively retard a third effort to achieve European hegemony. The victors and victims of the Second World War feared that Germany would once again emerge as the chief source of mischief in the European state system. In response to these expectations and fears, these same states developed and then embraced a complex of norms intended to forestall the emergence of a hegemonic Germany: the decentralization of political power in the new German state; the demilitarization of the German economy; and the disarmament of Germany. The future stability and security of Europe were widely viewed as contingent upon the successful operationalization of these norms. These three norms, which governed the occupation and post-occupation policies of the Western allies, were initially enunciated in the Yalta and Potsdam agreements.⁹³ They were integral to the framework laws establishing the Federal Republic of Germany; were codified in the International Ruhr Authority, the European Coal and Steel Community (ECSC), the Bonn Conventions of 1952, and the Final Act of the 1954 Nine-Power Conference (London); and were partially reaffirmed in the Treaty on the Final Settlement with respect to Germany (1990).

The decentralization of German political power was a central concern of the Anglo-American occupying authorities. As early as 1947, both the American and British governments opposed the re-establishment of a centralized German state. Both governments believed that a centralised system of government ‘could be too readily converted to the domination of a regime similar to the Nazis’ which was linked in turn to ‘great and justifiable fears regarding the resurrection of German military power’.⁹⁴ The Western occupation authorities insisted instead upon a federal architecture for the Bonn Republic and the dispersion of

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Roosevelt on 21 August and 7 October 1942; and an important statement by the British Foreign Secretary on 17 December 1942. Joint allied statements are contained in the Moscow Declaration of 30 October 1943 and the London Agreement for the Prosecution and Punishment of the Major War Criminals of the European Axis, 8 August 1945. The Moscow Declaration stated the allied intention of punishing war crimes; and the London Declaration provided the legal basis for war crimes trials. See Gerhard von Glahn, *Law Among Nations: An Introduction to Public International Law*, 6th rev’d edn (New York: Macmillan, 1992), p. 879.

⁹³ See ‘Protocol of the Proceedings of the Crimea (Yalta) Conference’ (11 February 1945); and ‘Report on the Tripartite Conference of Berlin (Potsdam)’ (17 July–2 August 1945), in Ruhm von Oppen, *Documents on Germany under Occupation*, pp. 7–8 and pp. 40–50.

⁹⁴ George Marshall, ‘Broadcast after the Moscow Session of the Council of Foreign Ministers’ (28 April 1947), in Ruhm von Oppen, *Documents on Germany*, pp. 219–27, at p. 221.

political power.⁹⁵ This preference for decentralized political power carried over into the institutions of economic management. The institutional success story of post-war Germany, the Deutsche Bundesbank, was likewise the outcome of Anglo-American design and guidance: the Bank deutscher Länder (the forerunner to the Bundesbank) was federal in design and politically independent. Both characteristics reflected allied preferences; and the legal authority for the bank was vested in the occupation statutes until 1957.⁹⁶ The norm of political decentralisation has become one of the least contested in the German (and European) context. Today, the autonomy and prerogatives of the German Länder remain unchallenged within the Federal Republic; and the principle of decentralization, recast as subsidiarity, suffuses German policy towards the institutional development of the EU.

The demilitarization of the German economy was perhaps the most pressing allied concern in the immediate aftermath of the war.⁹⁷ The American State Department declared that 'the security interest of the United States and its Allies requires the destruction in Germany of such industrial capital ... as can only be used for the production of armaments or of metallurgical, machinery, or chemical products in excess of the peacetime needs of the German economy.'⁹⁸ Towards that objective, the Allied Control Council prohibited German production in fourteen industrial categories, restricted production in twelve industrial categories, and limited the general level of the economy to 55 per cent of the pre-war level in 1938.⁹⁹ These restrictions on the German economy, the perception of industrial concentration as a potential source of German power in Europe, and the desire to weaken the economic foundations of a future German military threat to European security were manifest in direct

⁹⁵ 'The London Documents: Directives Regarding the Future Political Organization of Germany Drafted at the London Conference of the Western Foreign Ministers' (1 July 1948); and 'Aide Memoire Concerning the Basic Law Presented by the Military Governors to the President of the Parliamentary Council at Bonn' (22 November 1948), in Ruhm von Oppen, *Documents on Germany*, pp. 315–18 and 343–5.

⁹⁶ See Otmar Emminger, *D-Mark, Dollar, Währungskrisen: Erinnerungen eines ehemaligen Bundesbankpräsidenten* (Stuttgart: Deutsche Verlags-Anstalt, 1987), p. 24.

⁹⁷ The United States also presented the allies with a draft treaty for the disarmament and demilitarization of Germany in April 1946. The primary objective of the treaty was to 'ensure that the total disarmament and demilitarisation of Germany will be enforced as long as the peace and security of the world may require'. The draft treaty was to remain in force for twenty-five years, a time period later extended to forty years. See 'Draft of Twenty-Five Year Treaty for the Disarmament and Demilitarization of Germany. Proposed to the Paris Session of the Council of Foreign Ministers by the United States Secretary of State' (29 April 1946) and US Secretary of State J. F. Byrnes, 'Restatement of Policy on Germany' (6 September 1946), in Ruhm von Oppen, *Documents on Germany*, pp. 129–31 and pp. 152–60, at p. 158.

⁹⁸ 'Statement by the United States Department of State on the Reparations Settlement and Peace-Time Economy of Germany' (11 December 1945), in Ruhm von Oppen, *Documents on Germany*, pp. 93–7, at pp. 93 and 96–7.

⁹⁹ 'Control Council Plan for Reparations and the Level of Post-War German Economy' (28 March 1946), in Ruhm von Oppen, *Documents on Germany*, pp. 113–18.

allied control over two regions critical to Germany's wartime capability: the Ruhr and the Saar.¹⁰⁰

The disarmament and demilitarization of the German economy were considered contingent upon effective allied control of the Ruhr and Saar. The Saar problem was initially resolved by simply allowing France to absorb it, a decision reversed in 1955 when the Saar became a part of the Federal Republic following a referendum. Finding a long-term solution for the Ruhr valley was taken in June 1948 with the creation of an international authority for the Ruhr, a step which fell short of detaching the Ruhr from a reconstituted German state.¹⁰¹ The April 1949 Washington Three Power meeting, which produced the draft occupation statute that came into effect in September 1949, restated the occupying powers' interest in the disarmament and demilitarization of Germany, continued allied control over the Ruhr, and continued allied restrictions on the development of the German economy.¹⁰² The International Ruhr Authority itself was only dissolved after the creation of the European Coal and Steel Community (ECSC), an institutional innovation consistent with the post-war norms that informed allied attitudes and policy towards Germany.¹⁰³ To meet the needs of the European economy, the punitive intent of early allied plans for the German economy were abandoned and restrictions on most categories of German industrial production were slowly relaxed and then removed by the early 1950s. That relaxation, however, took place within the context of the multilateral and institutionalized surveillance of German industrial production, particularly with German membership in the ECSC, the Western European Union (WEU), and European Economic Community.

The disarmament norm fell foul of Soviet–American competition in Europe, although the norm was amended rather than discarded. The major powers initially agreed that German disarmament was the key to a stable European order. A renascent and rearmed Germany remained the central preoccupation of post-war planners: in 1946 both Foreign Minister Molotov and Secretary of State Byrnes believed that long-term co-operation between the United States and the Soviet Union was necessary, in Molotov's words, to 'prevent a renewal

¹⁰⁰ See 'British Military Government Ordinance 78: Prohibitions of Excessive Concentration of German Economic Power' (12 February 1947), in Ruhm von Oppen, *Documents on Germany*, pp. 203–10, at p. 203.

¹⁰¹ The International Ruhr Authority was established at the London Six-Power Conference. At that time, the powers agreed again that 'Germany must not again be permitted to become an aggressive power ... [and that] there should be a system of inspection to ensure the maintenance of the agreed provisions of German disarmament and demilitarisation'. See 'Communiqué issued by the London Six-Power Conference' (7 June 1948), in Ruhm von Oppen, *Documents on Germany*, pp. 286–90, at p. 289.

¹⁰² 'Washington Three-Power Meeting: Draft Occupation Statute Defining the Respective Powers and Responsibilities of the Future German Government and the Allied Control Authority' (8 April 1949) and 'Washington Three-Power Meeting: Agreement on Prohibited and Limited Industries' (8 April 1949), in Ruhm von Oppen, *Documents on Germany*, pp. 375–7 and pp. 377–9.

¹⁰³ See Hanrieder, *Germany, America, Europe*, pp. 247–9.

of future German aggression.¹⁰⁴ The allies also agreed that it could take up to forty years to ensure the demilitarization of Germany and that in any case 'security forces will probably have to remain in Germany for a long period'.¹⁰⁵ There was also allied agreement that, in conformity with the Potsdam Declaration and even after the onset of the cold war, prohibitions on German armed forces and the German General Staff would have to remain in effect.¹⁰⁶

The need to rearm Western Germany remained constrained by the desire to prevent Germany from once again becoming a military threat to the other European states. Despite the changed external context which required German rearmament, the demilitarization norm was evident in the protocols of agreement reached between the Allied High Commissioners and the Federal government at Petersberg in November 1949. Prior to the formal end of the occupation, the Federal government declared 'its earnest determination to maintain the demilitarisation of federal territory' which was matched by a subsequent Three-Power statement in New York that 'the recreation of a German national army would not serve the best interests of Germany or Europe'.¹⁰⁷ In 1951, the American position changed in favour of re-arming Germany in some way, yet that policy change was severely qualified. The United States recognized the German right 'to participate in her own and in the common defence *within* an integrated European defense system', but remained 'firmly opposed ... to any Germany army which would be independent of an international security system'.¹⁰⁸ Embedding Germany in an institutionalized European framework, particularly in the areas of defence and economy, was outlined in the allied powers' statement on West German sovereignty. At that time, the allies pledged themselves to 'a unified Germany integrated within the Western European community'.¹⁰⁹ The failed European Defence Community, the first effort to institutionalize the rearmament of Germany, produced the Bonn Conventions of 1952. These conventions contained two annexes in a protocol that outlined restrictions on German armaments – despite the pressures of the cold war and the clear need for a fully re-armed West Germany. The first annex, and most widely cited, is the German undertaking to refrain from manufacturing atomic, biological and chemical weapons. The second annex, often overlooked,

¹⁰⁴ 'Molotov's Statement at the Paris Session of the Council of Foreign Ministers' (10 July 1946), in Ruhm von Oppen, *Documents on Germany*, pp. 144–7, at p. 144.

¹⁰⁵ Byrnes, 'Restatement of Policy on Germany', p. 158.

¹⁰⁶ 'Communiqué issued by the London Six-Power Conference', p. 289.

¹⁰⁷ 'Protocol of Agreements reached between the Allied High Commissioners and the Chancellor of the German Federal Republic at the Petersberg' (22 November 1949); and 'Communiqué issued by the Foreign Ministers of Great Britain, the United States, and France at the Conclusion of their New York Meetings' (19 September 1950), in Ruhm von Oppen, *Documents on Germany*, pp. 439–42 and pp. 517–20, at p. 518.

¹⁰⁸ 'Address by John J. McCloy, United States High Commissioner in Germany' (25 April 1951), in Ruhm von Oppen, *Documents on Germany*, pp. 562–4, at p. 562.

¹⁰⁹ 'Statement on West German Sovereignty issued by the Three Western Foreign Ministers and the Federal Chancellor after their Meeting in Paris' (22 November 1951), in Ruhm von Oppen, *Documents on Germany*, pp. 577–8, at p. 578.

is of interest because it placed limits on the production of a large number of categories of conventional weapons (long-range guided weapons, warships, bomber aircraft, tanks, etc.). These controls on conventional weapons and critical areas of the economy continued after the end of the formal occupation in 1955.

The Final Act of the 1954 Nine-Power Conference in London ended the formal occupation and removed most restrictions on German sovereignty. The provisions of the Final Act, however, deepened the institutionalization of German power in accordance with the post-war norms governing the occupation of Germany. At that time, Germany acceded to the Brussels Treaty Organization, which was quickly renamed as the Western European Union (WEU). German membership in the WEU was the gateway through which Germany finally entered NATO. Yet Germany occupied a unique position within both WEU and NATO in three respects. First, the Federal government accepted WEU oversight of the German armaments industry. The allies created an agency within the WEU which controlled the armaments of its continental European members (thereby excepting the United Kingdom), prohibited the German manufacture of certain classes of armaments, and controlled member-states' stocks of armaments. These controls were intended to reassure the Western Europeans that they would continue to exercise effective control over the military capability of Germany. This agency was only disbanded after the signing of the Treaty on Final Settlement in 1990 and with considerable consternation on the part of the Soviets.¹¹⁰ Secondly, German membership in NATO and WEU was contingent upon the renunciation of atomic, biological and chemical weapons. This prohibition was deepened in 1990 with the Treaty on Final Settlement. At that time, unified Germany went beyond the original pledge by renouncing not only the right to manufacture nuclear, biological and chemical weapons, but the right to possess and control those weapons.¹¹¹ Thirdly, it placed all forces of the NATO countries stationed on the continent of Europe under the authority of SACEUR 'with the exception of those which NATO has recognised or will recognise as suitable to remain under national command'.¹¹² The provision effectively subordinated German armed forces to allied control, excluded British forces, and provided an escape for any of the other NATO member-states. The restoration of German sovereignty, particularly the German right to belong to whichever alliance it chose (including presumably the right to not belong to any), was hedged by the simultaneous imposition of a ceiling on German armed forces in the Treaty on Final Settlement.¹¹³

This interpretation does not differ from the dominant narratives with respect to the trajectory of German foreign policy. Rather, it points to the external

¹¹⁰ Interview with WEU official, 13 March 1999.

¹¹¹ *Treaty on the Final Settlement with Respect to Germany*, 12 September 1990, article 3 (1).

¹¹² 'Final Act of the Nine-Power Conference held in London' (3 October 1954), in Ruhm von Oppen, *Documents on Germany*, pp. 600–9, at p. 605.

¹¹³ *Treaty on the Final Settlement*, article 3 (2).

origins of the preference and the multiple motivations for embedding Germany in a multilateral framework in the first place. The three norms that emerged from the horrors of Auschwitz – disarmament, demilitarization and decentralization – evolved over time and engendered a largely unarticulated auxiliary instrumental norm; namely, the adherence to these three substantive norms was contingent upon the institutionalization and multilateralization of German foreign policy. These norms not only constrained German options over the course of the post-war period, but constituted the interest of Germany's partners in resolving the German problem that had vexed European relations since 1871. These substantive norms also constituted the identity of Germany's partners in such a fashion that co-operation and trust between Germany and her partners is contingent upon Germany remaining within multilateral frameworks. German deviance from the instrumental norm of multilateralism would only stoke the fears and suspicions of Germany that are embedded in the collective memory of the Second World War.

CONCLUSION

Germany will not prove too large for an institutionalized Europe. There is no support for the widely accepted axiom that Germany possesses the material capabilities consistent with a hegemonic or even dominant power. Moreover, the decontextualization of German power, namely ignoring or minimizing the countervailing power of the United States as well as Russia, France, Britain or Italy, provides a misleading picture of Germany's position along the hierarchy of power. Germany is better viewed as a power of middle rank with capabilities superior to, but not qualitatively dissimilar from, those of France, Britain or Italy. Treating Germany as a power of middle rank transforms two puzzles facing the analysis of German foreign policy. First, the process of institutional emulation in Central and Eastern Europe reflects not the process of hegemonic socialization, but the broader systemic imperative of modernizing states emulating the most efficient forms of institutional organization to maximize their prospect for survival and prosperity. Secondly, the postulated 'culture of reticence' is largely immaterial to the trajectory of German foreign policy and at best should be viewed as a rhetorical device employed to minimize the European suspicion of German power. As German policy towards the disposition of nuclear weapons and the value of the Deutschmark demonstrates, Germany pursued its national interest subject to external constraints, particularly the disparate national interests and countervailing power of its partner states, membership in multilateral institutions, and the historical memory of the Second World War.

The past and future roles of the Federal Republic are inextricably linked to Germany's past. The end of the cold war has diminished neither the importance of Auschwitz in the collective memory of Germany's neighbours nor the occupation norms it spawned. The three norms that emerged from Auschwitz – the demilitarization of Germany, the disarmament of Germany, and the

decentralization of German power – have constituted the interests of Germany's partner states since 1945. The staying power of those norms is derived from the German violation of the constitutive norms of the European state system between 1939 and 1945. Moreover, these norms have driven a wedge between the self-interest of the NATO states with respect to Germany: only recourse to a common historical memory (and identity in opposition to Germany) can explain, for example, the differentiated treatment of France and Britain as compared to Germany on the nuclear question. Just as many dismiss the British and French nuclear deterrents as the unnecessary, bothersome and generally harmless accoutrements of fading European powers, a German nuclear deterrent is treated by most as a potential threat to European stability and a harbinger of the apocalypse. Arguably, a European deterrent of which Germany was a full partner would better serve the security interests of Europe and the United States than a Europe dependent upon an American nuclear deterrent. The foreign policy options Germany's partners are willing to countenance are constrained by the common historical memory of Auschwitz.

This narrative of German foreign policy does not necessarily challenge the argument that Germany is distinctive because 'its political leaders exercise power only in multilateral, institutionally mediated systems ... that soften sovereign power.'¹¹⁴ Rather, it suggests that the sources of that institutional embeddedness as well as purposes to which it has been employed were external to Germany in its early history, remain largely external to a unified Germany and still play an instrumental role in fostering a stable Europe. That is not to argue that the institutionalization of German power has neither produced a changed German identity nor produced a broader, more inclusive understanding of the German national interest;¹¹⁵ it simply favours a narrative treating the Nazi violation of the constitutive norms of European statehood between 1939 and 1945 as a system-level variable that has both constrained and constituted the interests and identity of Germany's partners and neighbours.

The weight and meaning given to the various elements of German power remain filtered through the prism of Auschwitz. Perhaps more importantly, this past provides the frame of reference employed to assess German intentions and ambitions associated with the exercise of German power in the new Europe. The Berlin Republic will remain constrained not only by the structure of material power in the international system, but by the unwillingness and inability of its European partner states to forget the past harvests of German power.

¹¹⁴ Peter J. Katzenstein, 'United Germany in an Integrating Europe', in Katzenstein, *Tamed Power*, pp. 1–48, at p. 4.

¹¹⁵ A preference for multilateral settings has undoubtedly evolved in Germany; and that preference now constitutes important aspects of German identity and interests.