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## P R O C E E D I N G S

MS. HILL: I just want to say a great welcome to everybody here in the audience. I'm very pleased that you could join us today for our second, actually, in a series of discussions we're having about the German elections. Some of you may have joined us here back at the beginning of September, September 10<sup>th</sup>, for an event that we did along with the American Institute for Contemporary German Studies, various of the other German political foundations, and also, with the Heinrich Böll Foundation, which is our partner, in a series that we've been doing for several years now here at Brookings on the future of Europe, not just the future of Germany.

We're meeting here against a rather strained set of circumstances, I think, and I'm going to put the question to all of you in the audience, being trick -- teasing people about this today. Who's going to a government first? A funded government that functions? Is it going to be the United States or is it going to be Germany? So, you can all think about that, and at the end, we'll take a poll .

Anyway, the purpose of this particular event is after the German elections of September 22<sup>nd</sup>, which had what seemed to be a dramatically favorable for Angela Merkel -- as we all know in party politics,

things become a little bit complicated. And so, Chancellor Merkel is now faced, in spite of having one of the best results for the CDU in 23 years of the federal republic, of trying to figure out how to put together a coalition government. We should be so lucky here in the United States.

And I'm sure that part of the empty seats here in the audience are due to the fact that our wonderful institutions are closed down. I was hoping that as people couldn't get to see the National Zoo, they might come here to Brookings, today , but anyway -- you never know who might come in as we're speaking.

We have three really wonderful panelists, all of whom have gotten up extremely early to be here, so they're all having coffee. Well, at least one's having coffee. We should have gotten coffee for all the others. We have George Mascolo, who just arrived on the plane from Boston early this morning, who is currently a public policy fellow, a visiting scholar at the Wilson Center. But most of you will know who follow German issues, was the editor in chief, co-editor in chief of *Der Spiegel* for many years. And Georg is going to start us off and tell us how it all looks putting in the big picture.

We also have, on my far right -- not usually where he normally sits --

MR. FÜCKS: Politically .

MS. HILL: -- Ralf Fücks, the head of the Heinrich Böll Foundation, the foundation that is associated with the Green Party, which is why he's not used to sitting normally on the right. But he's on your left from when you look from the audience. And Ralf is also here on a book tour about a book that he's writing about smart growth. So, some of you might catch him at other venues later on talking about other things. And Ralf is in the unfortunate position -- we've asked him to talk about party politics in Germany, and what things are going to look like as they move forward. And there's clear volatility in the party politics, lots of unexpected results for lots of people in the German political parties, and what we might expect looking forward.

And then, we have also Ambassador Phil Murphy, who has just returned from a very successful several years as our ambassador, the United States' ambassador to Germany. He just finished up his tour at the end of May. We are very pleased that he agreed to come down from the parts north here in the United States to join us this morning. And we've asked Ambassador Murphy to offer us a few perspectives on the importance of the German-U.S. relationship and on some of the issues that are still uppermost once we get through the coalition politics in

Germany -- issues like trade and the future of the transatlantic trade and investment partnership, which of course, German-U.S. relations will play an important role.

But the most part is to have a discussion with all of you here. There are many of you in the audience who know a great deal about Germany and are following this very closely. So, the opening remarks will be fairly brief. We'll go in the order in which I introduced everyone of Georg, Ralf and Ambassador Murphy, and then we'll turn it over to you. So, again, thank you very much for joining us. Georg, how does everything look?

MR. MASCOLO: Well, let me start by saying, Fiona, that we all admire the work you are doing here on European affairs at Brookings, but what is really spectacular is that you have chosen the perfect day to discuss the outcome of the German elections, because nobody could know when you came up with the very idea that this would be the day when actually, CDU and SPD will meet for the first time, as they are doing right now at the Parliamentarian Society right across from the German Parliament.

They sit there, 21 negotiators, and they have, as I have seen this morning, potato soup, which tells you a lot of how it's in the driver's

seat, because potato soup is the favorite dish of Chancellor Merkel . So, let's see if -- this is our first time. There might be a sign, as well, that when the last grand coalition was formed in 2005, they met at the very same place. I'm sure we'll go into the details, what is likely, what is unlikely later on. But let me first outline how I look onto the results of the current elections.

First of all, and with all the problems the chancellor has right now, we shouldn't forget that she scored a huge victory. And I have to say, she scored the first huge victory in her political careers. She is 30 years now, head of the CDU. She is eight years and finished just her second term, but she never came up looking like a real winner.

The first it looked very good, but then the SPD became very close. The second time, it was the FDP who actually carried the victory. So, what Chancellor Merkel wanted to achieve, I would say, what she wanted desperately to achieve this time was a huge victory -- something like Helmut Kohl after the German reunification, or something Konrad Adenauer achieved after he was able to manage the return of the lost war prisoners from Moscow. So, that's where she is today. She is on the height of her popularity and she won by a real landslide.

The bad news is that winning by a landslide means that her

coalition partner disappeared. Nobody at the CDU ever cared about the very idea that there should be a helping hand for the FDP. Actually, there was only one politician who did, and this was former chancellor Helmut Kohl. He invited leading members of the FDP for homemade cookies at his home, and invited a tabloid so that pictures could be shown. But there was nobody else in the CDU who ever cared about the very idea of what they could do to support the old coalition.

That's where she is today, so she is extremely strong; stronger than she ever was in her political career, and by having said that, she's extremely weak, because she needs a coalition partner. And she said, in the very moment when the result was out on election she said -- she said, it might well be that nobody wants to form a government with us. So, and I would say that was a pretty good guess.

So, what we will see in the coming weeks, I expect more months, and I'm pretty sure that the government shutdown will be long over before we form a new government. There will be a lot of back and forth, because nobody is really eager, either the SPD or the Greens to form a government with Chancellor Merkel. And I'll leave it with that.

MS. HILL: Wow. Ralf . That's really put you in the hot seat. Who will form a coalition government with Angela Merkel? And you know,

obviously, we'd like you to look at this beyond just the perspective of the Greens, which I know you obviously have to contemplate quite a lot in the last couple of weeks.

MR. FÜCKS: Yeah. Maybe I'll start with a more pleasant part of the story for the Greens. It would be not a smart growth by the de-growth experience. The elections are -- extremely disappointing result. If you have in mind the expectations, we started from I guess, 10.7 from the last elections and expected to grow as the Green Party did over the last two years in a series of state elections up to 27 percent in Baden-Württemberg, which is one of the most important industrial states in Germany, with the first Green state prime minister in the history of Germany, and in our major cities, results between 20 and 30 percent.

So, until August, the Greens had been in an upswing -- dynamics, and then I would say due to a self-defeating campaign, not only one, but several major strategic mistakes and faults. We stumbled down to just 8.4. So the party is not in the best condition now to take a real hard choice, a courageous choice, and to enter serious negotiations with Madame Merkel and the Christian Democrats to build a coalition. And of course, the most probable outcome of the double talks Madame Merkel will be having with the Social Democrats and the Greens will be a grand



coalition, another grand coalition.

It's the most probable outcome, but it's not for sure, I would say, because especially the Social Democrats are afraid of joining a new coalition with the Christian Democrats, like you know, they're fearing the kiss of the Spiderwoman. They are afraid of the kiss of the Spiderwoman.

And there's enormous resistance within the source of the Democrat party against such an endeavor. Even leading members of the party, like the prime minister of North Rhine Westphalia, the most important, the biggest German state, she publicly is rejecting that option because the last experience, when the Social Democrats joined the coalition with the CDU, CSU, they lost a lot of their constituency. So, they will try to push the hurdles very high for such a coalition, and it's not clear if they really will come to terms with Madame Merkel figuring out a new program.

And for the Greens, it would be a political U-turn, because they launched a very leftist campaign programmatically positioning themselves left from the Social Democrats. They launched a quite aggressive anti-Merkel campaign, which was really stupid, particularly stupid, because even in the Green constituency, the Green electorate,

Madame Merkel is much more popular than her challenger, her contender from the Social Democrats, Mister Steinberg.

So, I would say mentally and programmatically, it would be a very bold swing for the Greens, but maybe it would be -- it could become a winning maneuver to escape from the old left camp, right camp kind of political thinking, and to move more to the political center reflecting the fact that major -- I would say Green values, Green ideas, Green political projects, meanwhile have to commensurate in Germany. For instance, the energy transition.

Now, moving from nuclear and coal to renewable energies is meanwhile, mainstream. Even in the business community, there is a lot of -- in principle, not in details, but in principle, there is a lot of sympathy for the idea of greening the economy and becoming a pioneer for kind of sustainable technologies and services in Germany. So, the outcome is fluid. We will see a lot of narrow-minded, I would say party politics and power games as we do in the United States currently.

But maybe, let me finish with one remark to the elections themselves. If you're looking to the -- what are the political messages from the elections, it's stability and continuity. This is, I would say, the main mindset -- stability and continuity. And this was a confidence vote

for Madame Merkel, and it's very -- I would say that, a little bit critical -- it's very inward looking.

International politics, foreign policy issues, Syria, for instance, the uproar in the Middle East, in our southern neighborhood in Europe -- even the future of the European Union itself was not a big deal during the electoral campaign. It was almost a non-issue.

So, domestic politics is very much in the center still, of the politic public in Germany, and I would say Germany is still mentally and politically far away from the political -- the international responsibility it should take, given the fact that it is, if we want it or not, in economic terms, the most powerful country in Europe, but also in political, Germany matters. But we are not really eager to take more European and international responsibility.

MS. HILL: Well, that kind of left Ambassador Murphy in an interesting spot, because although that might be the case inside of Germany, Germany obviously, as we know from this perspective, is an extremely important country. And we have been looking to Germany for some leadership on a number of issues for some time. But how do you, you know, think we should be looking at this from the point of view of the U.S.- German relationship?

MR. MURPHY: First of all, thank you for having me.

MS. HILL: Well, thank you for coming.

MR. MURPHY: And thanks to Heinrich Böll for sponsoring. I'm also among friends. Georg and Ralf are folks that I got to know really well -- we got to know really well over the past four years, so it's great to be here. And they have forgotten more about this than I know. So let me just say that up front .

Two things, Ralf. First of all, I'm shocked that a free and open democracy anywhere could have an election that was only focused on domestic issues . And secondly, if your assessment is correct on a grand coalition, I will miss veggie day . I just want you to know that.

A couple of things occur to me. First of all, historic election victory for the chancellor. Kind of a U.S. election campaign run by her and Helmut Kohl, a personality based, much like a campaign you might see here. I think if Germans thought at all about international issues, perhaps they thought mostly about Europe. And it seems to me they voted for the chancellor's balanced approach, which is, in my words -- we'll be there for Europe, but not at any price. And Germans, I think, feel comfortable with that.

I also would suggest that the chancellor went to the middle

brilliantly, not just on the campaign, but in her time governing, and vacuumed up things like energy policy and other social issues -- sort of Clinton-like in terms of ending welfare as we know it or compassionate conservatism from George W. Bush. Brilliant. However, she let some daylight in to the right of her to this alternative for Deutschland or AFD party -- almost got to 5 percent.

I think one of the questions before us will be, over the next several years, will the AFD's success be a little bit similar, Ralf, to your party's early successes, which were then institutionalized, and you now have a consistently strong Green party voice? Or will it be more like the pirate party, where people voted for them because they were just mad as hell and weren't going to take it anymore and they had no other place to go?

I think a stunning -- and this is one window through which I view this election as an American and in terms of our interests -- a stunning result for the FDP. My math is not exactly right, but I think it's approximately right. If you look over the past four decades, the FDP has held the position of foreign minister about  $\frac{3}{4}$  of that time, with the exception of Frank Steinmeier and Joschka Fischer.

It's a party that we, as Americans, particularly in

government, have gotten to know really well because it has had that transatlantic bias. And not just the ministry. You look at guys like Rainer Schtinner and Elke Hoff and others in that party, and that party is now gone. I think that's a stunning -- I think the math is the CDU-CSU took about two million of their votes from the last election and the AFD took about 400,000 of their votes.

They only needed 130,000 to get to five percent. I guess I'm not surprised by the CDU-CSU taking that, but the AFD, I think was the game changer. I'd personally -- again, you guys know more about this than I do -- I'd put the probability of a grand coalition around 70 percent.

SPEAKER: Right.

MR. MURPHY: Does that sound about right?

It's not inconceivable, you could have a Black-Green coalition, but I'd say 70 percent?

SPEAKER: Mm-hmm.

MR. MURPHY: I asked a senior member of the FDP if I'm right, just flatlined, does that mean anything in terms of a big impulse on the transatlantic relationship, other than there are a lot of characters in the FDP, including -- beginning with the foreign minister, Guido Westerwelle, who are responsible for that relationship. And this person said in fairness,

no. They didn't see a big difference in the impulse.

Domestically, I would think a grand coalition would mean some tweaking of domestic policy, which is, I think in Germany's enlightened self-interest, but probably also, in ours, as well. In other words, things that would direct at getting the internal German economy on its feet a little bit more strongly. Or, if you think of it this way, if you look at Germany's GDP growth and you divide it in two, what amount of it comes from its internal economy versus its export economy, you might be justified to be critical of Germany's growth of late, in that it's skewed dramatically toward the export economy. So, things like minimum wage or things like investment -- overdue investment in infrastructure -- that is, again, both in Germany's interest, but also, would address those balances. My gut tells me you'd see more of that.

I would think in foreign policy, more of the same, maybe with a little bit more oomph, as it relates to the euro. You've got, after all, in a grand coalition, an overwhelming majority in the Bundestag. You've got an SPD party that is in control, if you will, of the Bundesrat -- less relevant for foreign affairs, but still relevant.

You've also got a chancellor. I don't know how we would all bet if we had to bet, will the chancellor run again. I think there's a fair bet

to be made that she won't. And so, all of that perhaps, unburdens, gives a little bit more energy. But I think it's in the similar direction that it's been going.

I conclude with a rhetorical sort of paragraph that was touched upon, in part, by Bundes-President, Joachim Gauck yesterday in Stuttgart -- he gave a very interesting speech. And he had three themes. One is demographics. Germany is aging and shrinking. Not on a crisis like Russia, but it is aging and shrinking. What do we do about that as Germans? Number two: How do we deal with the digital age and all that goes with it? And number three -- I'm not sure he had a headline on this, but the question of roles and responsibilities of Germany in this world.

And it got me to thinking, if we had gathered 20 years ago, like the early '90s -- a couple years after the glow of the (inaudible) and the unification had worn off, and we were predicting 20 years hence, what would Germany's strategic shape be, or strategic profile, I'm going to predict that we would have been largely correct in its security self, plus or minus.

You know, Germany began to get involved in NATO engagements and Kosovo in 1999. It has played and continues to play a vitally important leadership role in Afghanistan. But at the same time, it



has chosen not to engage in some other initiatives. And again, I think we could have predicted that, given its unique history, among other things.

I would bet what we would not have predicted, and what Germany itself would not have predicted -- 20 years ago, Germany was one of the engines of economic growth in Europe. You certainly would have had, I think the UK, France -- you'd have Italy in that group of three or four. There's no denying today that Germany has not only gapped out relative to all other member states, but it's likely to stay gapped out.

Yes, the growth is not high. Arguably, it needs more reform of a la the Schröder 2010 agenda. But it's gapped out. So, I would argue it's got a new strategic shape. Again, about what we thought in security terms, but not what we thought -- we, including Germans, in economic terms. What does it do with that shape? Does it use its new body to maximize its interests? How comfortable will it be doing that?

And by the way, for its allies, first and foremost for the United States, how will we -- will we be able to appropriately engage that new shape and maximize our respective interests and potential? And I think there's enormous potential. I'll pick three to conclude. One is a trade deal across the Atlantic where Germany can play an indispensable role, if it chooses to.

Two, would be addressing global imbalances. Not just because you're being a good guy, but because you do it consistent with your interests. I mean, you're bold about it. And three, not just in Europe, but probably in a broader sense having real institutions that deal with things like banking reform and resolution. So, I think this new strategic shape of Germany is -- regardless of what the coalition is -- I think will be the open question here with a lot of potential over the next several years.

MS. HILL: That's great. Thank you.

Actually, I say Georg was making some notes as we were going along here, and I thought I might actually turn back to him, because it's always hard to go first and then listen to everybody else. And I wonder if, before we go to the audience, if you had some concluding thoughts on what we've heard from our other colleagues here.

MR. MASCOLO: Not that much. What I would love to do this morning is to share a real secret with you. So what will happen in Germany? But unfortunately, I don't know any secrets today. And I believe the reason for that is, I was on the phone yesterday talking to a lot of old friends, old sources. And my best guess this morning is, they don't know .

My gut feeling is that all this will end up in a grand coalition,

and I give you three reasons for that. The first is, the SPD has no interest. The Greens are moving on into a coalition with the Social Democrats. The last footprint, the real footprint they have in German domestic politics is due to all the coalition they have in regional parliaments. Once the Greens are gone, the door is open and you will not close it again. So, the SPD would lose a strategic partner on the long run, something they don't want to do.

A second reason is unions and companies, hand in hand, love the idea of a grand coalition. So they will put some pressure on both parties to do it. And the third is that the chancellor herself -- I mean, if she would turn to the Greens, she would do what no other chancellor in German history did -- three terms with three different partners. And as you might be aware, there is -- you know, there are certain rumors saying that the chancellor is flexible -- some say very flexible, and I don't think that she personally liked the idea of having three different partners.

Would a grand coalition be bad for Germany? I would say it all depends. If it's a grand coalition which really takes on the big challenges Germany is facing, then it would be a good thing. Yens Weidmann, the president of the German Bundesbank waited until two or three days after the elections, and then giving a huge speech in

Dusseldorf -- reminding that Germany is doing remarkably well -- that the same was true for Spain and some other European countries a couple of years ago.

So, what he said was, you know, that's a good thing that we are doing so well. But be careful. And be careful about all the challenges we are facing. And then, he outlined demographic immigration, minimum wage and I could go on and go on.

So, if we see a grand coalition, tackling the big questions would be a good thing. If we see a grand coalition where from the first moment on, there is only mistrust, and the mistrust from the SPD that they will not gain anything in this grand coalition -- so whatever they get from the chancellor -- at the end, the chancellor will get the credit for it. So, then we will see a very nervous coalition from the first moment on, and this wouldn't be a very good thing for Germany. And I'll leave it to you.

MR. FÜCKS: Yeah. Ralf Fücks.

First, I would be a little bit more critical concerning the -- managing the euro crisis by the previous government and the attitudes of Chancellor Merkel, and this core issue -- towards this core issue.

I think you're both right to insist on common rules and discipline. And of course, you are right that no German government of

which political composition like -- ever could take a position we will save the euro at any price, at any price. But still, you know, over the last two years, and still today, I will say that there is an illusionary rhetoric -- also, during the campaign, it will not cost us. It will not cost us a serious you know, effort to save the euro.

And this is not the case. This is definitely not the case. And I really wonder if the chancellor -- in which coalition ever will be ready to move that Rubicon and to address the effects that we are not beyond the crisis, the -- up to now, this focus the austerity policy, even deteriorated the economic situation not only in Greece -- also in Spain, in France.

So, we need more investment and we need common financing for that investment. I would say common financing -- common funding for that investment -- pro-check bonds of however you name it. So, in combination with, I would say bonding rules concerning fiscal discipline and financial behavior.

But I think we have to move forward. Otherwise, we will not only have a long-term economic and fiscal crisis, we will also see more and more a political crisis in Europe. With ever-stronger right wing populist parties, look to the elections in Austria. And I'm a little bit afraid of the European elections next May.

MS. HILL: Mm-hmm.

MR. FÜCKS: We will see, I think, 20 to 30 percent anti-European populist votes in these elections. This is critical. Yeah? So just more of the same will not be sufficient.

The second remark goes on the -- I would say the main -- probably the main difference, the main conflict in the negotiations, and it will be the same with the Social Democrats and the Greens on a coalition treaty. It's text policy. Text policy and redistribution policy. So this was, I would say, almost the only sharp difference in the electoral campaign.

The Social Democrats and even more the Greens campaigning for higher taxes, for the upper middle class and the wealthy 5 percent -- up to 10 percent of the society -- 10 percent of the society, and the Christian Democrats, no tax increase. So, how to bridge that gap will be not so easy for all of the partners.

And the last remark concerning the German economy, it is true that still Germany is the growth engine in Europe. But if you are looking to the investment rates, the proportion of investment of the GDP, we had shrinking investment rates since the midst of the '90s, and most dramatically shrinking in the public sector.

We are down from around about 6 percent to 3 percent,

then, investment rate. And this is not sustainable. And I don't see -- to be honest, I don't see that any coalition -- that will be really willing to address that and to increase investment. This would mean a policy change, you know, from expanding the wealth of state to investment in education, science, infrastructure.

So, I would be very much in favor for that linked with a greening energy transport -- cities and so on. But it wasn't a matter in the campaign.

MS. HILL: No.

MR. MURPHY: Just briefly.

MS. HILL: Yeah?

MR. MURPHY: In reverse order, I completely concur. I mentioned the investment point, as well. I think there's a -- my gut tells me there's a better chance of a domestic -- more robust domestic investment regime under a grand coalition, or with the Greens, by the way, than there was under the last coalition.

Secondly, your point on taxes reminds me of a point I wanted to make. I would not underestimate the CSU in these negotiations.

MS. HILL: Mm-hmm.

MR. MURPHY: Horst Seehofer has been emboldened by historic -- by recent terms victory in Bayern and he's going to be -- if there's an inclination to find middle ground in some of these issues like taxes, my guess is that he'll be there to tug things a little bit more toward the right.

And on the euro, I don't want you to confuse my view of what will happen versus what should happen. So, my point was, I think you'll see policy in the similar direction with more oomph, and that's toward the direction you want it to be. I have to say, I'm an optimist on the euro, but you know, we're in a boat that's crossing a wide river. And we're -- I don't know if we're halfway across the river, but we ain't going back. And everybody gets that.

That's in German -- not just in Greece's or Portugal's or Ireland's interest, it's in Germany's cold-blooded interest that this survive. And as I said, at the end of the day, Germany, I believe, will be there for Europe. My guess is that many of us would feel it's a little bit too (shrit for shrit), longer than we want. Your point, Ralf, about social risks is a significant one.

You know, I look at the United States -- 50 states share one currency. And I look at not just the average unemployment rate, which is



too high, but the high and low. All right? You say to yourself, just as a gut check, does that look reasonable? Can you manage one union with that high low? I don't even know what the high low is. I'm told North Dakota is the low, which growing up, I never would have guessed. But maybe it's four or five up to 11. Maybe. That's manageable.

MR. FÜCKS: Mm-hmm.

MR. MURPHY: Eleven's too high, but it's manageable. In Europe, it's four or five up to 28. And that's got to narrow, and it can't be that the 5 goes up to 12. And I think it's a false choice -- last comment -- that you have to get people to play by one rulebook, which they have to.

If you're going to share a currency -- people used to ask me am I surprised by the euro crisis. And my answer was, I'm only surprised it didn't happen sooner. They just threw a blanket over 17 countries.

MR. MASCOLO: Mm-hmm.

MR. MURPHY: You've got to play by a common rulebook. But it's a false choice to say you can only do that and not do some of the things that Ralf referred to, which can address -- particularly out of Brussels, where there's a lot of money sloshing around -- explicitly address some of the big youth unemployment social challenges and investment challenges.

MS. HILL: Well, I think everything that everyone said here underscores how much -- although it's not necessarily the tendency here in Washington, we should be looking from the perspective of here to some lessons that we can pick up, how all this shakes out in Europe. Because so many of the issues on the table here, particularly the conflicts and discussions over taxes are really at the root of some of the issues that we're grappling with, why our government is shut down today. So hopefully, in terms of leadership, Germany might be able to show a way forward, at least perhaps hopefully some civil ways of resolving some of these issues.

It's also interesting that we're sitting today. As Georg said at the very beginning, we couldn't have predicted that this would be the day that there would be the coalition discussions between the Social Democrats and the CDU. But also, from the perspective of someone here who studies Russia, today is also the 20-year anniversary of the aftermath of President Yeltsin shelling the Russian parliament, the White House, over all kinds of disputes over where countries go forward.

And some of you looked today at some of the online images you can -- I'm not sure that President Obama wants to shell Congress, , although it may have crossed his mind in the night and darker moments.

But there's probably a lot of other people out there who feel quite annoyed about congressional gridlock. But I think that's a good perspective for us on nearly 20 years, as you said here, of all kinds of upheavals and questions about governance.

And Germany is at an inflection point now, which is very important, I think for all of us. There are many people here in the audience who I know who might have comments and questions here. And we've actually a good 40 minutes for engagement here with you. So, I will start here and take a couple of questions, and then come back to our panel. And if everybody could introduce themselves for our panelists, that would be great. Thanks.

MR. SCARLIS: I'm (Basil Scarlis). I used to deal with the economic policy of the State Department. I was concerned about Mr. Fücks' comments. Are you suggesting that the future of coalition may not agree to deficit financing, for example, to finance greater investment projects in Germany? That would be a good way to offset some of the austerity in the periphery of Europe.

MS. HILL: Okay. And there was another question across the -- there you are. Yeah?

MR. LANKOWSKI: Hi. I'm Carl (Lankowski), the Foreign

Service Institute, Department of State. It's been said by I think all of the panelists that the European dimension is exceedingly important in all of this. And if we're going to deal with the political mobilization that will supportive of reform, then there has to be political engagement. And that has to do, of course, with who is going to be running for what in the spring.

So, my question is, give us a handicap list of who you think might be the leaders that will step forward and run political campaigns for the European parliament at the head of party groups that are trans-European in scope. Who from the CDU, for instance, will be the leader of such a campaign at the European level?

MS. HILL: Great. And I'll just take one other question. There's a gentleman here in the back with the glasses, and then we'll come back again.

MR. TECHAU: Yes, thank you very much. Jan Techau from Carnegie Europe and Brussels. Just one quick news piece. They agreed to hold a second meeting. That's the reason of today's potato soup summit. So, there's a second run of soup coming, I guess.

One question on European politics. Angela Merkel announced on an interview in mid-August that it was now the time to repatriate you know, competents expect from Brussels to the member

states, and that more Europe could also be achieved by more coordination among governments and instead of pulling competencies in Brussels. Now, that caused a major earthquake, actually, in the European kind of environment, because that took the air out of the integration dynamics that Germany kind of always underwrote.

My question to you, how serious does she mean that? Will she pull this through? Will she substantiate this or was this just an interview? And if she does, how much of a risk is it to integration and the political union that must follow the economic integration? Thank you.

MS. HILL: Thanks. Thank you very much. Ambassador Murphy, any thoughts on these? I mean, they're probably a bit more specific to Ralf and Georg.

MR. MURPHY: First question for Ralf. The second question, the European parliament, which, by the way, on the list of surprises that I had as ambassador going in versus leaving, the amount of time I spent with European parliamentarians, you really run issues on a parallel basis. Bob (Pollard) is here, who worked with me in Berlin, and then ultimately in Brussels, and we worked a lot of things together. Who's going to leave what? I'm not sure. So these guys will know more about that.

I don't know for sure what the chancellor was thinking. I saw the same observation. But I have to believe somewhere in the back of her mind was banking union, banking resolution. My guess also in the back of her mind is trying to find common ground with the UK. Germany has made no bones about the fact that they want the UK to stay in the club. And so, perhaps, I'm speculating on both -- if you look at the impulses Germany has shown on banking -- union banking resolution, they would prefer, I think, at least this government, to have a collection of coordinated national initiatives as opposed to a centralized initiative.

My guess is that that's what was kicking around in her thoughts. And again, it's pure speculation, but I know keeping the UK in has been a major objective, and my guess is, that was also in there somewhere.

MS. HILL: Okay, Ralf.

MR. FÜCKS: Up to know, deficit spending is, I would say, a non-issue in German politics, because as you may know, we established in our constitution, a kind of deficit rate, a deficit ceiling, which the government has to achieve until 2020 down to zero debt. Down to zero debt with a new margin of 0.35 or so room to maneuver.

So, the over-arching fiscal policy goal over the next years

will be stepwise, we're using the deficit, which is possible to make in the rise of tax income, of tax revenues for the government, as long as we don't reform the mechanisms of income tax. Tax revenue is growing faster than GDP. And with the zero interest rate policy of the European Central Bank, it's quite easy to get rid of long public debt.

So, I would guess that the room for investment programs financed by deficit increasing the deficit is very, very narrow. Very narrow. It's more about redistribution of public funds towards more investment. The other thing is, if we would create a new source for, I would say European investment trending with the European investment bank or whatever agency -- I've got a kind of shadow budget to increase funding for investments.

So, but I would say it's more about redistribution of public funding than increasing public debt. And concerning the -- I don't know who will be the leader of the European conservative party in the next European elections. I guess all of the party families will run primaries. The Greens are doing that with several candidates, and this is new; that for the first time, we will have transnational common top candidates of the different political families on the European level.

This is a step forward to, let's say, European political public

sphere and transnational European policy. And what Chancellor Merkel announced, to come back to the question of Jan Techau, I wouldn't expect that she seriously will try to pull back competencies from Brussels to the national governments or to no revision of European treaties.

But I would take that serious as announcement that further European integration will not mean further centralization of political power in the Brussels institutions, in the European institutions. But Angela Merkel very much will try to do that by co-government. And of course, this is in conflict between different philosophies and different attitudes towards the future of the European Union, should we go more in the direction of the United States of Europe, the kind of European federal state, or should the European Union more be a union of states -- the union of states.

And I would say in the broader public, the idea of the union of states is more popular, and in the elites, especially the academic elites, but also in the business elites, the idea of having more competencies with the European institutions is the more popular one. There is a conflict between an elitist idea of Europe and a more, I would say Democratic approach.

MS. HILL: Georg?

MR. MASCOLO: On transnational candidates, I'm only



aware of Martin Schultz or the Social Democrat party. But I have to say that I believe that the people in Europe will start believing that the European parliament is the most important parliament there if we see real first class politicians enter into the European parliament. I mean, look at Germany. I await that somebody like Joschka Fisher in the past, Angela Merkel, (speaking in German)

You know, the moment they are eager to run for the European parliament will be the moment I believe that they believe that the European parliament will be the future of Europe. And on the bigger question on Europe, everybody agrees that there has to be more Europe. Right? There is no agreement at all on how this Europe really should look like.

All tough questions from the first moment on right after the Second World War are back on the table right now. And this is what we have to realize, that there is no easy way forward from here. From the first moment on, there was a huge disagreement in Europe what Europe should be. Should it be an integrated united Europe, or should it be allied countries with a huge free trade zone? And that was never solved.

The Germans were always on the side of more integration, but they had their own interest in it, because they knew that they could

only achieve German reunification in a united Europe. And they achieved that. And then, remember when the German reunification was, which is actually -- was yesterday, 23 years ago, there is still the unsolved question, if the very idea of the euro which has to do with the idea of German reunification -- there's always somebody like Wolfgang Staeuble saying there was no connection at all.

And then you listen to somebody like Herr Steinberg, who said there is no doubt about it, that the price for the German reunification was the euro. And if you look into all the documents which are open right now, you don't get a clear picture. But what you see is, of course, there is a connection. There were many European states, and France was the most important in it, saying that Germany has to be integrated deeper into Europe, because otherwise, reunification would be too dangerous, which at the end, turned out that the very idea of restraining German's economic power would end up with Germany having politically in the driver's side.

And I could go on and go on and go on, on all these questions we are facing right now. And I believe this is something we will have to deal with for quite a while. We have to find out politicians in the constituency of Europe has to find out which Europe do we really want. Personally, I would say, I would love to see a little bit less of integrated

Europe coming up with the very idea of how long nurses have to work, and which -- and should they have to work.

But I would love to see, you know, at least a little bit of a common foreign policy and a common security policy. You know? The major argument Europeans usually make for why Europe is so important is that we have to leave a footprint in the world. I believe we only do if we have a common foreign and security policy. But I don't see it at all, and you don't see it.

So, don't expect any solutions soon. I totally agree with Phil. I was much more skeptical in the past. The euro will be protected. And I think this is the good news, even if you don't see a new German government pretty soon. The only crisis I could imagine in the coming months would be something with the euro, and then you have a huge majority in the German parliament anyway.

And we have seen the chancellor and her government drawing so many red lines which she said the Germans wouldn't overstep, that you couldn't make a cupboard out of it. So, the Germans might be obsessed by rules, but they are always capable of pragmatism if they really have to. So, there will be the protection of the euro, but it all boils down to the very question, can we fix the biggest mistake we made the

euro having a common currency without having a political union. That was the mistake in the first place, and we are still working on that. And I see elements of it, but I don't think it's enough.

MS. HILL: Thank you very much. There's two people at the very back -- at the very back of the wall behind you, Georg. And then right in front. And then I think you -- and I will come back to everyone, again.

MR. SHLEESE: Thank you, Fiona. (Gable Shleese), correspondent of Deutsche Vella in Washington. I would like to come to foreign policy, to security policy. I think Ambassador Murphy, you talked about a new strategic shape of Germany. I would like to know, how do you see this strategic shape, and what are American expectations on Germany on the next four years of Chancellor Merkel concerning security policy, concerning international relations? Thank you.

MS. HILL: Thanks. And Daniele Moro in the back? Yeah.

MR. MORO: Daniele Moro, SAIS-Johns Hopkins. I am Italian, and my question is about the euro. The question is, what is your opinion about the reaction of the political parties in Germany in the next few days, about the situation of the imbalance of it. An overpriced euro, if you compare with the dollar, and the situation where Germany grows and the rest of Europe is not growing enough.

And the second question is, do you think it's ready, Germany, to lead some kind of discussion where common rules, at least about retirement, pensions and so, must be common, really common, all around from Greece to France to Italy to Germany. Because otherwise, you cannot have a currency without common growth.

MS. HILL: Thank you. And then down here.

MS. HARRISON: Hi. Hope Harrison, George Washington University and the Woodrow Wilson Center. Thanks for arranging such a fascinating panel.

My question is whether you all might speculate on which cabinet positions Merkel would insist on keeping in a new coalition. And would the foreign minister -- would that be one or not anyone? She's sort of been doing the foreign policy, so one could say that a coalition partner wouldn't be too excited about getting that ministry. So, if you could speculate about which position she would want to hold.

MS. HILL: Great, thank you. Georg, we'll go back to you, because you put the foreign policy issue on the table there, and then we'll come to our colleagues.

MR. MASCOLO: How foreign policy would look. Oh, I thought that Phil would go first. But we met so often, but he was always

so diplomatic . So I'm going to restrain today (inaudible). So I go first Phil, and try to make sense out of it .

Foreign policy on Germany, I agree with everything which was said here before. I think Germany came a very long way. We are still in Afghanistan. I think France left two years ago and it wasn't a big deal. We're still in Kosovo. The Merkel government made a huge mistake by handling the Libya crisis. There is no doubt about it.

But if I'm looking forward, I would predict that the Germans will be still. Very reluctant when it comes to any kind of military engagement. And you all know what the reasons for that are. What I don't understand, I believe there are numerous areas in where the Germans are capable and willing to lead and to help. Take Syria, for example. If there would be a military strike, do you really need the Germans on your side? You don't.

But the Germanys are very good in disarmament, and I would say the Germans have a special responsibility when it come to chemical weapons, because sarin was invented in Germany, and German companies sold this stuff to numerous Middle Eastern countries. So, could the Germans leading in terms of disarmament, for example -- yes, they could and they should.

And so what I think -- before always reducing the question to, are there German soldiers in the field or not, we should think about if given the special history of the Germans, are there other areas where the Germans could and should help.

On the question of retirement reform, shall we do it in Italian, because I'm Italian? No, I think we have to stay in English here . I can see -- I mean, there's a huge discussion going on in Germany. Retirement age 67 or not? I think it's Denmark that has -- is it Denmark, with 72 now? And it's Sweden thinking about going even higher.

Do I see a common standard in Europe for a retirement age? I don't think so. Will it be necessary to have a retirement standard all over Europe? I'm not sure. I'm not such an economic expert, so I'll leave this question to Phil . On your question on the foreign ministry, well, I don't think that anybody is really eager to take over the job.

I mean, the Greens made it pretty clear, and (Yoden Tritine) was the first to almost openly say that he wanted to be a prime minister but not a foreign minister. I'm not that sure when it comes to the Social Democrat party, but this has a lot to do with their internal debate. You know? Who would be the majority leader? And if there would be another majority leader than (Speaking in German) could go back to the foreign

ministry.

I'm convinced that he always loved it, and he would do it. Does it really make sense for a minority partner to have the foreign minister? I doubt it for two reasons. Chancellor Merkel would be in her third term. She knows everybody. She's running the show anyway. She gets the credit for all that. And Phil could tell you much more about it than I can.

But what I can tell you is that everybody who wants a real answer in Berlin today is not going to the foreign ministry. They are going to the chancellor's office, or at least they double check with the chancellor's office if what they have heard at the foreign ministry is the same the chancellor's office is thinking. So, this started in the grand coalition when you have the SPD at the foreign ministry and the chancellor running the show, and it's still true. So, being foreign minister of Germany isn't such fun .

MS. HILL: So that one's up for grabs there . Ambassador Murphy?

MR. MURPHY: I will disappoint Georg and keep a little bit diplomatic veneer and not comment on the last thing you just said.

MR. MASCOLO: Oh, come on.



MR. MURPHY: Hope, it's good to see you. I have no insights on that, so I apologize. I read a lot of rumors, some of which are quite surprising to me, if the rumors are to be believed. But in terms of foreign policy, my point, perhaps not terribly well articulated, is we automatically think of our foreign policy as it relates to the U.S. and Germany as a security matter.

And my point on the new shape is not necessarily the shape is different in the security self. I think it will continue to be largely what it has been. And I would echo Georg's point that even when there aren't boots on the ground, and even in Libya, Germany did a lot of things elsewhere -- displacement movements that enabled that initiative. So, I think that will continue on the arc or the trajectory that it's been on.

But the big new shape is its economic self. And it's not just whether we'll be able to take advantage of that. It's whether or not Germany, first and foremost, will maximize its interests with that new shape. At one level, it executes economic statecraft, I think among democratic societies, is the caveat, as well as anybody in the world.

If you look at how they underpin their interests -- commercial interests in China, it is a work of art. But I mean it in sort of a -- in a broader with rights go responsibilities sense. So, they've got this new

shape. Will they use that directly and indirectly through their Brussels engagements to make sure the T tip gets done? Will they recognize that their current account surplus of 7 percent is not sustainable, not just for the global community, but ultimately, in their own enlightened self-interest? And then, what will they do about that?

So, that's the element of the shape that I'm talking about, as opposed to the next vote that goes to the Bundestag for an engagement with boots on the ground, which I think that arc will continue in the way we've seen it. Other than I own a home in Italy -- it's one of my favorite places in the world, I don't have much to add to that.

MS. HILL: And you're not contemplating keeping on working until maybe 82 or something along like there?

MR. MURPHY: I just turned to Ralf when I heard 72. I must say, it took my breath away.

MS. HILL: Yes. But unfortunately, it might be the reality for quite a few people looking forward. Ralf?

MR. FÜCKS: There's no need to the third comment. Of course, we would deepen the discussion, but there have been several people showing their interest to jump in, so, please.

MR. MURPHY: Can I put you on the spot? In a grand

coalition, who is the foreign minister? What's your best guess?

MR. FÜCKS: I would guess it's Frank-Walter Steinmeier.

Then again, I think the main interest of Angela Merkel is to keep the ministry for finance in her -- in quotes, in her political budget, because the finance -- minister for finance has become second to the chancellor, the most important European player.

MS. HILL: Mm-hmm.

MR. FÜCKS: So the access between the chancellery and the minister of finance in terms of European policy, it's much more important than to the foreign minister.

MS. HILL: So that's the one to watch.

MR. MASCOLO: May I add one point? When it comes to foreign policy, the very idea that Frank-Walter Steinmeier might return to the foreign ministry. Usually, foreign policy is by large, bipartisan in Germany, but there is one huge area of disagreement between at least parts of SPD and the CDU. And this is when it comes to Russia.

MS. HILL: Right.

MR. FÜCKS: Russia. Right.

MR. MASCOLO: There is huge disappointed in the German Bundestag. There is a personal disappointment by the chancellor. They

hoped for quite a while that Putin would be somebody who would change the country, that (inaudible) wouldn't be only a puppet, but that it would be for real. Oh, thank you for reminding me that it's 23 years ago.

MS. HILL: Yeah.

MR. MASCOLO: The shelling of the parliament. I was there on this date.

MS. HILL: Twenty years ago. Yeah.

MR. MASCOLO: I lived right across the street at Kutuzovsky prospect, which was also -- the tanks were standing right in front. My wife was a correspondent back then. The tanks were standing right in front of Ukraina Hotel shelling the parliament.

So, I'm deeply disappointed by what I'm seeing in Russia, because I love the country and I love the people, and they deserve really better than having a president like Putin. And some of the Social Democrats are still convinced that they are not only partners -- that they could become friends, and that they really want to change the country.

So, I have no doubt who would have the upper hand in all of this. It would be Chancellor Merkel. But there would be an area of real disagreement in German foreign policy.

MR. FÜCKS: What is the disagreement in substance?

MR. MASCOLO: I would say Fiona is even more an expert in that, than we. But dealing with European Russian and German Russian affairs since some years, and we are running an office in Moscow, I would say the main difference is not in substance concerning the political and economic relations to Russia. The main difference is in rhetorics.

If you should criticize openly authoritarian developments and practices in Russia, if you should publicly show some distance towards to Mr. Putin and the ruling elite, and I would say, drift away from the political language that Russia is not potentially, but in fact, a strategic partner to Germany, independent from what's going on in the country itself -- independent from domestic policies. So, I would say this is an important symbolic difference, but I didn't see a difference in real politics when it comes to political and economic relations to Russia.

For the next month, the most important issue will be Ukraine. You mentioned that.

MS. HILL: Yeah.

MR. MASCOLO: Yeah. It will be whether the European Union and whether Germany will be willing to strike a deal with the Ukraine, opening the doors for close association with the European Union, even with a distant perspective to become a member of the European

Union? Or, will we pull back because we are afraid of a conflict with Russia? Or will we be ready to “sacrifice” Ukraine for the sake of our good relations with Russia? This will be a very important decision to take.

MS. HILL: This is actually important, I mean, just to flag for everyone here, because the deliberations over the coalition government in Germany will coincide with the critical months leading up -- it's only really a month, in fact, to the Vilnius Summit of the eastern partnership countries. It's going to be around Thanksgiving in U.S. time. So we have a very limited bandwidth here, and all eyes are really on the European Union and on Germany about what that decision will be.

And we'll probably have a number of meetings around this around town. There started to be some attention paid to that in the United States, and obviously, the United States itself will have a hard time in dealing with this, because this is an EU question about the association with Ukraine, but it's another important inflection point 20 years on about the future of Ukraine and the relationship with the European Union.

I saw some -- there was like three in a row, kind of questions down here, and I'll also try to take a few more in the ten minutes that we've got left. So, the gentleman here and the lady behind and Ambassador Murphy's colleague. Yes?

MR. SHWING: Thank you. Andrea (Shwing) from the University of Maryland. Going back to domestic politics. If we look at the election results, there is also a mathematical possibility of a red red green coalition, left at the center.

What would you say are the possibilities of such a future scenario, maybe in four years, eight years? And what would be the consequences for transatlantic relations? And also, what are your thoughts on about 10 percent of votes right of the center not represented in the parliament anymore with neither the FDP nor the AFD having made it to the Bundestag?

MS. HILL: Well, that's a nice complicated question. For the lady behind?

MS. BERRY: Hi. I'm Phyllis Berry. I have two questions. Just a follow up on the cabinet. Is Merkel willing to give away the finance ministry? Because I think that's more of the question than the foreign office, is, is she willing to give that up?

And on the Greens, I just have a question for Mr. Fücks about -- it always seemed like one of the biggest barriers, and certainly now with the changeover in Green's leadership -- could any Green leadership be confident that they could win Green's party confirmation of a

coalition agreement, because the Greens do have to go to the party, it's my understanding, and get confirmation.

And it really does seem -- you know, we've got three quarters of the leadership to step down. We're going to get new caucus leaders next week, but not new party leaders until the end of the month. But will any -- are there really people in that party strong enough, the leadership strong enough and confident enough? And how does the CDU look on that as saying, can we actually come to a coalition agreement, and would the Greens actually confirm that?

MS. HILL: Thanks. Up front? Yeah.

MR. POLLARD: Thank you. I'm Bob Pollard from the State Department, currently on detail at CSIS. And this is a question for Ambassador Murphy in his capacity as a private citizen. Ambassador, it was a really --

MS. HILL: That's not fair .

MR. MURPHY: Is it like a restaurant question ?

MR. POLLARD: Ambassador, could you say --

MR. MURPHY: I could lead with the merlot with that .

MR. POLLARD: I'm still getting paid, so I'm here. It was a real honor to serve for you, ambassador, in Germany, and you were there



during some of the most exciting times, the air zone crisis and so on. And what I'd like to ask is, now that you're no longer shackled by the State Department, how would you advise the U.S. government State Department and Treasury and NSC and others on how best to get the German government to support our economic objectives?

And my short list would include things like stimulating the European economy, accelerating banking union, recapitalizing the banks, improving banking supervision, supporting the euro, rebalancing, opening European markets, et cetera. Just pick the ones you like. But in particular, you saw a lot of people from (Yoshi) come over to Berlin. And what were some of the talking points and tactics that you think that worked best, and which ones really did not? Thank you.

MS. HILL: Wow, you could get a job again as a consultant at the State Department.

MR. MASCOLO: I like it. Now you get groped by your own people.

MS. HILL: Tell us what you really think. Well, okay, we'll tell it to you right away.

MR. MURPHY: I'd have to be someone for this answer.

MS. HILL: Well --

MR. MURPHY: Should I start with that one?

MS. HILL: Yes, please do.

MR. MURPHY: I'll leave the red red green question to others. But if it were to happen, it is not constructive for transatlantic relations, given the current mindset of (Alinka). And I made it my business to get to know these guys. I had great conversations with them. But there are some very big fundamental disagreements that we have with them, and I suspect that you have with them and the SPD has with them.

So, I don't think it's going to happen anytime soon, but if it did, it would not be a plus. Phyllis, nice to see you, but I've got no insights. But I have sympathy with what Ralf said in terms of finance minister. It seems to me the foreign minister is a big deal in Germany, in any government, but the finance minister, particularly in the European question is a big deal.

Bob, I could go on, but I'm going to be brief. Go back to my comment about the shape of Germany. Not only can Germany maximize that, but can we take full advantage of that? At the end of the day, I think that question comes back to people we put on the field and our mindset. So, just -- not a show of hands, but certainly, 20 years ago, and my guess is still today -- if it's okay, everyone raise your hand if you're a German

hand, or an American hand if a German, and a lot of us would raise that hand.

My guess is that there's going to be a big bulk of NATO hands in a meeting like this, or security hands. And there will be a smaller group of folks like you, who are -- yeah, you get the German hand hat because you served with distinction. But you're an economics specialist.

That, I think is a proxy for the broader relationship historically and rightfully that we have had with Germany. You know, this is a divided city, country, continent. We had hundreds of thousands of troops. It better damn well have been a security first relationship in our mindset, how we spent our money, how we deployed troops and who we charged with that relationship.

So, my biggest piece of would be -- we're never going to give up the security. I'm not suggesting this is now going to be an economic only or even economic first relationship in order to maximize the common ground that we find between us. But at a minimum, it has to share center stage. And as you roll out the team to deal with the new shape of Germany, it's got to include folks who get that in their bones, just like our NATO brethren get security in their bones, just like you and I, we get the

German American relationship in our bones. And there's progress to that end, but you need to see more and more of it.

The person who gets this absolutely without a question is the president. No question. But the president needs the broader approach. Last comment. I believe -- I come from the school of thought that people do things in life because ultimately, they think it is in their enlightened self interest. It may not be in their cold blooded tomorrow interest, but it's in their enlightened self interest.

So, any amount of our going to Germany and telling them that they needed to do something that wasn't in their interest ultimately is going to fall on deaf ears, as it should. So, when I mentioned earlier there's a prospect for a minimum wage, I'm hoping that there's more of a prospect for domestic investment. That's really good for global imbalances, but if it doesn't match the test, which both of those do, that it's good for the domestic German economy, then it won't get done.

So, this can't just be stuff for the greater good. It's got to be -- ultimately, it's got to pass both tests. I'll conclude with a comment that has nothing to do with your question. I find myself following -- I may be the only person on the planet that has sympathy and follows the stars of both Paul Krugman and Wolfgang Schaeuble . I have enormous

sympathy with both of their points of view. I really do.

And one of the concerns I have -- I'm now speaking a little bit to my Krugman star -- one of the concerns I have that Ralf really highlighted quite effectively on this question about investment is there are some days, there are some economic environments where you know what? You've got to spend. Throw the damn rule book out. You've got to drop the hammer and spend.

You hopefully do that for a limited period of time. You get across the bridge and then you put the puzzle back together again. So, I worry -- I like the notion -- I certainly like the notion that all of the 17 member states that share that currency have to play by a common rule book. It should have been set up ahead of time. I said that to a German friend once. He said if they had known that ahead of time, they never would have launched the euro. So it was inevitable that it was going to happen after it was set up.

And so I like -- we all have to balance our books, both individuals, companies, governments. That's a good thing. But there are times that require different approaches and flexibility, and I just hope that we see that still in Europe.

MS. HILL: That's great. Thanks. Ralf, the big question

about the likely head of the coalition from Phyllis, and other things.

MR. FÜCKS: Yeah. I could imagine a set of agreements with the Christian Democrats which I would say -- I would predict gain a majority in the Green Party convention, and even in the (inaudible) of the members of the Green Party, especially if we put that energy transition of the core project of the Greens in the very center the next set -- for the next period.

You know, we had been quite successful for the first period driving renewable electricity up to 25 percent of the overall electricity consumption in Germany, but now, we have to reconfigure the whole power market for the next phase from 25 percent up to 40 percent and more over the next, let's say, 10 years.

So, this is a very ambitious and very comprehensive undertaking. It will change not only the energy sector, it will change the industrial structure of Germany. It will have a deep impact on our society. So if you would put that project in the very center of a black green coalition, merging ecological and economic goals, interests and communities, I think this would really be historical -- a historical project.

And there are some other issues like data security and privacy. I don't know if you're aware how upset the German public is with

the American security agencies and there -- we don't know that I mentioned the comprehensive surveillance of data traffic and communication. In Germany and in Europe, this is a big deal, and it will be a big deal in the framework of the transatlantic trade and investment partnership agreement. So could put that to the forefront, citizens rights in the digital sphere, and some other thing.

That will be -- I think, creates a positive perception of such a coalition. And of course, you know, for the now -- the old guard of the Greens, it's the last opportunity. It's the last opportunity to play an important political role, to become ministers or whatever. So there is a personal, I would say motivation in play, and they would all fight for it, I think, in a party convention.

And don't forget, please, the Social Democrats already decided that the coalition agreement, the result of negotiations will be subject to a referendum in their party. And I wouldn't swear that the outcome is for sure.

MS. HILL: Yeah, some of the (inaudible) mentioned. I'm also unfortunately, watching the clock. I know this is an event on Germany. We have to keep everything as much on time as possible. So I'm not going to -- our guests have a very packed schedule. We're very

grateful that they could take the time to be with us. So, Georg, you actually get the last word here, so you can leave us with some --

MR. MASCOLO: First and last.

MS. HILL: -- pretty profound thoughts here. And I also have to apologize to everybody else who had a question. Maybe we'll do this again.

MR. MASCOLO: There are two unanswered questions. The five percent hurdle and the red red green coalition. So, sorry for not taking on these questions. But I want to underline the point Ralf just made.

The huge disappointment, especially in Germany due to the revelations by Edward Snowden and what the NSA is doing. I don't want to go into the details, but they are fascinating. But I want to say, don't underestimate that. That's foreign relations in its core. They are all about trust. And there is a very special relationship between the United States and Germany, and it has to do with our common history. It has to do with 50 million American soldiers and their relatives who went to Germany and had a good time there.

It has a lot to do with the German being so thankful for what the United States did for them. So very rarely in foreign relations you have an element of love in it. And I would say there is an element of love



between the United States and Germany. And wherever is love, there is a question of disappointment . So, this makes the whole story not only politically very --

MR. FÜCKS: So it has a potential of disappointment.

MR. MASCOLO: -- politically very complicated, but it makes it very emotional, and it will be a big hurdle for a couple of things coming in the future. So, I hope that Europe and Germany and the U.S. will really work to solve it and not leave it in the shadow of the intelligence world thing, that we can't talk about it anyway, and we are sorry for that. This would be a huge mistake.

MS. HILL: Well, that's a note to end on. And I think as all of us walk out of here, we'll try to bear that in mind, Georg. Thank you very much, and we'll try to put a bit of the love back into the relationship which we really must in Germany. Not too much however, on the way out, please. This is the Brookings Institution .

So in any case, thank you, you all of you for joining us. It sounds like we have more things that we could talk about here, so we may be doing this again. We thought with two events on the general elections would be sufficient. We might now have to do an event on -- sometime towards Christmas, perhaps on the presence that Angela Merkel and her

coalition talks may leave us.

But thank you very much to our three very distinguished  
guests for taking time out to join us today. Thank you.

(Applause)

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## CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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