

Germany's Leadership Role in the European Union: An Analysis Through Theoretical Perspectives and Contemporary Political and Economic Challenges

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Abstract

This research paper examines Germany's leadership role within the European Union, drawing on European Leadership Theory alongside complementary perspectives from Neoliberalism and Neorealism. As the EU's largest economy and a founding member, Germany occupies a pivotal position requiring the balancing of national priorities with broader European integration goals. The study aims to analyze how Germany's leadership shapes and responds to the evolving political and economic challenges facing the Union. Employing a systematic literature review, the research analyzes secondary data collected from reputable academic databases such as JSTOR, Scopus, Web of Science, and official EU documentation portals, covering publications from 1990 to 2024. Using qualitative content analysis, the study explores Germany's role through three theoretical lenses: the promotion of institutional cooperation and economic interdependence (Neoliberalism); power dynamics and strategic positioning within a competitive international system (Neorealism); and culturally sensitive, participative leadership that reflects European values of inclusivity and cohesion (European Leadership Theory). The findings reveal Germany's leadership as multidimensional and adaptive, effectively combining soft and hard power to navigate contemporary challenges such as the Eurozone crisis, rising populism, Euroscepticism, and energy security issues intensified by the Ukraine conflict. Germany's strategic engagement with EU mechanisms, including the European Stability Mechanism, underscores its commitment to stability and integration. In conclusion, the paper argues that Germany's ability to integrate these theoretical frameworks into a cohesive leadership model is vital for sustaining EU unity, promoting deeper integration, and securing the long-term resilience of the European project.

Keywords: *Role, Germany, European Union, Neorealism, Neoliberalism, and European Leadership Theory.*

INTRODUCTION

A comprehensive understanding of Germany's political role within the European Union is essential for analyzing the mechanisms of power distribution, governance structures, and the process of integration across the EU. As the Union's most economically powerful and demographically significant member state, Germany plays a pivotal role in shaping key policy domains, including fiscal regulation, foreign policy, and security affairs (Bulmer & Paterson, 2013; Bastasin, 2024). Through the lens of neorealism, Germany's strategic conduct can be interpreted as a response to systemic constraints and national interest calculations (Waltz, 1979; AĞRALI, 2024). Neoliberal institutionalism, on the other hand, emphasizes Germany's enduring commitment to institutionalized cooperation and adherence to rule-based governance (Moravcsik, 1998; Pureza & Mortágua, 2016). Leadership theory further elucidates Germany's nuanced position as a "reluctant hegemon," whose leadership is characterized more by consensus-building and agenda-setting than by direct coercion (Bulmer, 2019; Schoeller, 2016). Taken together, these theoretical perspectives highlight the complexity and central importance of Germany's political leadership in the continuing development of the European Union (Gilbert, Oberloskamp, & Raithel, 2019). Germany plays a pivotal role in the European Union, not only as its largest economy and most populous member state, but also as a central figure in the political and institutional evolution of the Union (Böttger & Jopp, 2017). Since the post-World War II era, Germany has actively pursued European integration as a means to promote peace, stability, and prosperity across the continent (van de, Wijgert, & Bijsterveld, 2015). It has become a key architect of EU policies, particularly

in the areas of economic governance, monetary policy, and diplomatic leadership (Schoeller & Karlsson, 2021). However, Germany's dominant position has not been without controversy, often sparking debates about the balance of power within the Union—especially during financial crises and debates over migration policy (Hedlund & Martins, 2017; Bulmer & Paterson, 2013). As the EU faces new global and internal challenges, including geopolitical tensions, climate change, and digital transformation, Germany's choices and leadership will remain crucial to the Union's cohesion and future direction (Mello, 2024; Wilkinson, 2023). On May 8, 1945, Germany officially surrendered to the Allied forces. After five years of brutal warfare, the European continent lay in ruins (van de, Wijgert, & Bijsterveld, 2015). In the years that followed, Germans gradually came to terms with the atrocities committed during the war, marking the beginning of a long process of reconciliation (van de, Wijgert, & Bijsterveld, 2015). At the Potsdam Conference in 1945, the Allies divided Germany into four occupation zones: French, British, American, and Soviet (van de, Wijgert, & Bijsterveld, 2015).

In addition to being occupied by four different powers, Germany was also forced to relinquish large portions of its former territory. It not only lost the lands it had annexed or conquered during the Second World War, but also had to forfeit parts of its eastern regions, including Prussia, Pomerania, and Silesia (van de, Wijgert, & Bijsterveld, 2015). These areas were partially handed over to Poland and the Soviet Union. Once considered German territories, they were home to roughly 12.4 million ethnic Germans who suddenly found themselves stripped of their nationality. These people were expelled from their homes and forced to relocate to one of the four occupation zones in what remained of Germany. Tragically, millions died due to the harsh living conditions they encountered during this forced migration (van de, Wijgert, & Bijsterveld, 2015). On May 23, 1949, the three western zones—controlled by France, Britain, and the United States—merged to form the Federal Republic of Germany (FRG). In the same year, the Soviet-controlled zone became the German Democratic Republic (GDR). The division of Germany had become a reality (van de, Wijgert, & Bijsterveld, 2015).

In addition to these two republics, there were a few notable exceptions: the Saar Protectorate, the Ruhr region, and the city of Berlin. Both the Saar and Ruhr areas were critical to Germany's former industrial strength, particularly in the production of raw materials such as coal and steel—resources essential for military capacity (Żurek, 2019). The Saar region remained under French protectorate until it was integrated into the FRG in 1956 (Żurek, 2019). The Ruhr area came under the supervision of the International Authority for the Ruhr, which was established to monitor coal and steel production. This authority was dissolved in 1952 when its responsibilities were transferred to the European Coal and Steel Community (Żurek, 2019). Just as Germany was split into East and West, its former capital, Berlin, was also divided. The western part of the city became an enclave within the GDR and remained under Western control until reunification in 1990 (van de, Wijgert, & Bijsterveld, 2015).

Throughout the Cold War, German foreign policy was grounded in the strategic culture that Adenauer established during the early years of the Federal Republic of Germany (FRG). Despite numerous crises and disputes that arose during the three decades of East-West tensions within the Western alliance, the multilateral framework of German foreign policy shaped by Adenauer's West integration remained unquestioned (Becker, 2013). This stability was partly due to the international context of the Cold War and partly because of a broad domestic consensus on foreign policy that spanned the entire political spectrum (Becker, 2013). Kerry Longhurst characterizes the Cold War as a cocoon that tightly enveloped German strategic culture. Within this bipolar system's cocoon, the FRG's freedom of action was limited. The country remained reliant on the American nuclear umbrella and NATO's defense system. Facing a communist bloc on its eastern border, Germany was also economically dependent on the Western alliance. The metaphor of a cocoon is fitting, as it simultaneously symbolizes protection and constraint (Becker, 2013).

Domestically, a comprehensive foreign policy consensus was forged following the early internal conflicts of the FRG. A pivotal moment was the SPD party convention held in Bad Godesberg on November 15, 1959. After suffering significant electoral defeats to Adenauer's CDU in 1953 and 1957, the SPD recognized the need to fundamentally revise its political platform. At Bad Godesberg, the party adopted a modernized, pro-Western stance, embracing not only the principles of a free-market economy but also acknowledging the necessity of national defense (Becker, 2013). Germany's co-developed or jointly implemented concepts are based on the premise that a strong and united Europe can effectively address external threats by developing its own military capabilities (Karkoszka, n.d.; Żurek, 2019). There is a clear conceptual imbalance, which explains why intergovernmental initiatives—such as military missions, Permanent Structured Cooperation (PESCO), the enhanced Common Security and Defense Policy (CSDP), and the European Intervention Initiative (EI2)—outnumber transnational approaches (Żurek, 2019). Among the latter, the concept of a European army stands out as the most notable. The development of these German concepts is influenced by the country's commitment to integral federalism, a system introduced after World War II into its political and administrative framework. This system, characterized by multi-level governance and cooperation

among authorities, has proven effective domestically and is expected to contribute similarly to multi-level military collaboration within the EU (Žurek, 2019). This research aims to provide a comprehensive and theoretically grounded analysis of Germany's political role within the European Union by applying three major international relations frameworks: Neoliberalism, Neorealism, and European Leadership Theory. Each perspective offers distinct insights into Germany's strategies, motivations, and influence within the EU's complex political landscape. By exploring Germany's commitment to institutional cooperation and economic interdependence, its realist pursuit of national interests and security, and its leadership style rooted in consensus and coalition-building, this study sheds light on the multifaceted nature of German influence. The objectives outlined guide a comparative approach, allowing for a critical evaluation of each theory's explanatory power in different historical and policy contexts, such as the Eurozone crisis and the war in Ukraine. Furthermore, this research addresses the broader implications of Germany's evolving role for the future trajectory of European integration, particularly amid growing geopolitical instability and internal EU fragmentation (Bulmer & Paterson, 2013; Schoeller, 2016; Mello, 2024).

LITERATURE REVIEW

In analyzing Germany's political role in the European Union, it is necessary to adopt a multi-layered theoretical framework that captures both the complexity of intra-EU politics and Germany's unique position within this structure. This study employs an integrative approach based on three key theoretical perspectives: Neorealism (Structural Realism), Neoliberal Institutionalism, and Leadership Theory within the EU context.

Neorealism

Neorealism, a foundational theory in international relations, views states as the primary actors in an anarchic international system. From this perspective, Germany's political behavior is driven by its pursuit of national interests, power balancing, and security concerns. With considerable material capabilities—such as economic strength, population size, and diplomatic influence—post-reunification Germany has positioned itself as a pivotal actor in shaping the EU's direction. Through this lens, Germany's influence in key EU policy domains, particularly during times of crisis (e.g., the Eurozone crisis or migration influx), can be understood as a reflection of its strategic calculations aimed at maintaining regional stability and preserving its leadership position. Germany's role in the European Union can be understood, in part, through the framework of structural realism, which posits that states operate within an anarchic international environment, seeking to enhance their power and safeguard their survival. After reunification, Germany—armed with the EU's most robust economy and a substantial population—emerged as a key actor in the development of the Union's economic and security frameworks. As Hyde-Price (2006) points out, Germany's leadership during the Eurozone crisis was motivated not only by a commitment to regional stability but also by a strategic effort to protect its national interests within a system characterized by relative power gains and balancing dynamics (Price, A, 2006).

Neoliberal Institutionalism

Contrasting with the power-centric view of neorealism, neoliberal institutionalism emphasizes the importance of cooperation, interdependence, and institutions in fostering orderly international relations. The European Union itself is a prime example of institutionalized cooperation that aims to mitigate the anarchic tendencies of international politics. From this viewpoint, Germany is not merely acting in its own interest but is also deeply committed to multilateral governance, rule-based policymaking, and consensus-building within EU institutions. This theory provides a framework to examine Germany's contributions to the development and functioning of EU structures such as the European Council, the European Commission, and the European Parliament. Viewed through the lens of neoliberal institutionalism, Germany's leadership role in the EU stems not only from its material strength but also from its deep commitment to institutional collaboration and legal frameworks. Germany has been a consistent proponent of governance based on rules, coordinated fiscal policies, and multilateral approaches, often working through bodies such as the European Commission and the European Central Bank. As Moravcsik (1998) argues, the EU functions as a system in which member states—especially influential ones like Germany—employ institutions to secure their policy preferences and minimize transaction costs by fostering long-term interdependence and enforcing common rules (Moravcsik, 1998).

Leadership Theory in the EU Context

Leadership theory focuses on the ability of states to shape agendas, build coalitions, and manage crises. Germany's role in the EU can be conceptualized as that of a “**reluctant hegemon**”—a state with the capacity to lead

but often cautious or selective in exercising that leadership. This theory examines Germany’s behavior in critical moments such as the financial crisis, the refugee crisis, Brexit, and the war in Ukraine. Here, leadership is not limited to material dominance but includes normative leadership, soft power, and institutional legitimacy. The theory also accounts for the perception of Germany’s leadership by other member states, which is crucial for understanding the limits and possibilities of German influence in the EU. Germany’s political influence in the European Union has often been characterized by what scholars refer to as *reluctant hegemony*. Following the Eurozone crisis, Germany emerged as the primary decision-maker in fiscal governance, yet remained cautious about overtly assuming a leadership role. This paradoxical stance reflects its historical sensitivity to power projection and its simultaneous centrality within EU structures. According to Schoeller (2016), Germany's leadership during the crisis was driven more by necessity and institutional vacuum than by intentional dominance, resulting in a reactive rather than proactive strategy (Schoeller, 2016).

METHOD

This study adopts a systematic literature review (SLR) as its primary research methodology. The SLR approach provides a structured, transparent, and replicable means of synthesizing existing academic knowledge related to Germany’s political role within the European Union. It is particularly suitable for addressing complex and multi-dimensional research questions, such as the one guiding this study, which spans various theoretical perspectives—namely, European Leadership Theory, Neorealism, and Neoliberal Institutionalism.

Research Design

The research design follows a qualitative approach, relying on secondary sources to develop an in-depth understanding of Germany’s behavior and strategic positioning within the EU. Rather than generating new empirical data, the study systematically reviews and critically analyzes existing academic literature, institutional reports, and policy documents.

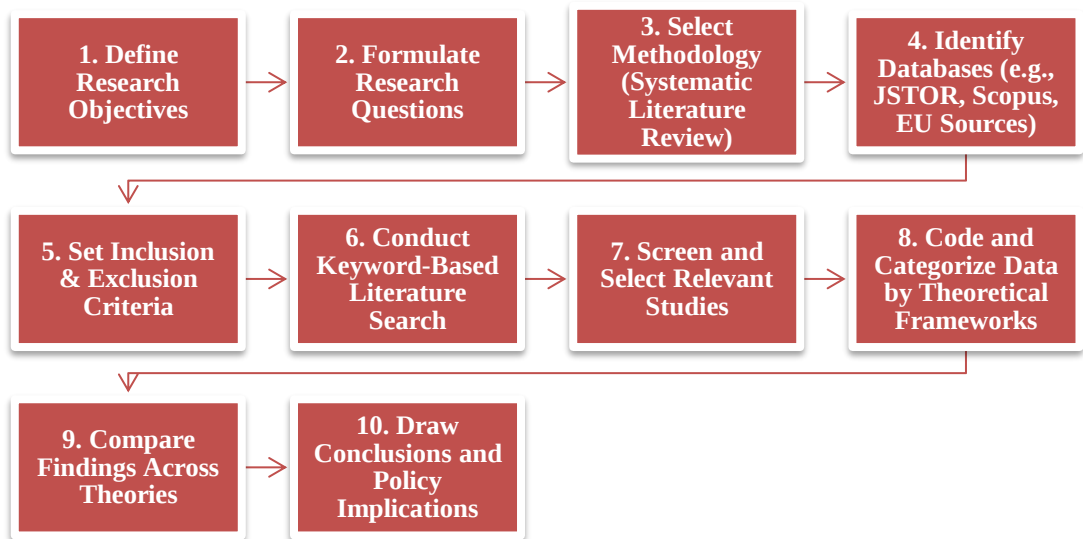


Figure 1: Systematic Research Flow Diagram for Analyzing Germany’s Political Role in the European Union

This flowchart outlines the structured steps followed in conducting a systematic literature review for this research. It begins with defining clear objectives and formulating precise research questions. The methodology is selected next, followed by the identification of academic databases like JSTOR, Scopus, and official EU sources. Inclusion and exclusion criteria ensure academic rigor and relevance. A keyword-based search leads to screening and selection of studies, which are then coded and categorized based on three key theoretical frameworks. Comparative analysis across these theories allows for nuanced interpretation, leading to informed conclusions and policy implications related to Germany’s evolving EU role.

Research Questions

Throughout the study we are going to answer the following research questions

RQ1: How does Germany’s political role within the European Union, viewed through the lens of Neoliberalism, promote institutional cooperation, economic interdependence, and rule-based governance to enhance collective European integration?

RQ2: From a Neorealist perspective, how does Germany pursue its national interests, power balancing, and security concerns within the competitive international system of the EU?

RQ3: In what ways does Germany exercise both hard and soft power as a leader within the European Union, according to European Leadership Theory, to shape EU policies and maintain its influence?

RQ4: How do Neoliberalism, Neorealism, and European Leadership Theory compare in their ability to explain Germany’s political strategies and influence within EU decision-making processes?

RQ5: What are the implications of Germany’s political role for the future of European integration, considering the challenges and opportunities arising from its leadership in the evolving geopolitical and economic landscape of Europe?

Data Collection

Data was collected from a range of reputable academic and institutional databases, including JSTOR, Scopus, Web of Science, Google Scholar, and the European Union’s official documentation portals. The search strategy employed a combination of keywords such as “Germany in the EU,” “German leadership,” “neorealism Germany,” “neoliberal institutionalism EU,” and “European political integration.”

Table 1: Inclusion and Exclusion Criteria for the Systematic Literature Review

Inclusion Criteria	Exclusion Criteria
Sources published between 1990 and 2024	Non-academic commentary or opinion-based articles
Peer-reviewed journal articles, academic books, policy papers, and EU/government publications	Sources lacking theoretical or empirical rigor
Relevant to the theoretical frameworks: Neorealism, Neoliberal Institutionalism, European Leadership Theory	Publications not directly addressing Germany’s role in the EU
Written in English or German	Irrelevant language publications or those not available in full text

Table 1 outlines the criteria used to select literature for this study’s systematic review. The inclusion criteria focus on academic quality, publication date, language, and theoretical relevance. Only sources that contribute to understanding Germany’s political role within the EU, especially within the selected theoretical frameworks, were considered. Excluded materials lacked empirical depth, theoretical alignment, or academic reliability. This structured selection process ensured the credibility, relevance, and academic rigor of the reviewed literature, aligning with the study’s qualitative and theory-driven objectives.

Data Analysis

The data analysis process for this research employed qualitative content analysis, which allowed for a systematic and interpretive examination of academic and policy literature concerning Germany’s political role within the European Union. All sources that met the inclusion criteria were analyzed in detail and categorized according to their relevance to the three guiding theoretical frameworks: European Leadership Theory, Neorealism, and Neoliberal Institutionalism. A manual coding approach was adopted to identify key themes, patterns, and discursive trends across the selected literature. Texts were closely read and annotated to extract recurring arguments, theoretical assumptions, and empirical evidence. Particular attention was paid to references involving critical turning points in EU history, such as the Eurozone crisis, Brexit, the refugee crisis, and the war in Ukraine—each of which served as a test case for Germany’s leadership and strategic behavior. This thematic grouping enabled a cross-framework comparison, revealing how each theory interprets Germany’s decision-making, institutional engagement, and broader political objectives. The analysis further captured shifts over time, particularly in response to evolving geopolitical realities and internal EU dynamics. Through this method, the research was able to draw nuanced conclusions about Germany’s multidimensional and adaptive role in European integration.

RESULTS AND DISCUSSION

The Importance of Examining Germany's Political Role in the European Union

European leadership theory

Germany's leadership approach, a key illustration within the framework of European Leadership Theory, is founded on principles like building consensus, strategic long-term planning, and a strong sense of institutional accountability. Leadership practices in Germany prioritize inclusive decision-making, foster cooperative relationships between management and labor, and focus on achieving collective objectives rather than individual accomplishments. These traits mirror broader European ideals of teamwork, stability, and social unity. A prime example of this is Germany's *Mitbestimmung* (co-determination) model, where employees are given representation on company supervisory boards—demonstrating a governance structure rooted in shared authority and democratic involvement. This approach stands in stark contrast to the more top-down, individual-centered leadership styles commonly found in Anglo-American systems. According to the GLOBE Study (House et al., 2004), Germany scores high on performance orientation and uncertainty avoidance, while maintaining a moderate level of participative leadership. This combination underscores a leadership culture that is both orderly and inclusive, reflecting core European values (House, 2004).

Germany's level of integration into the European Union highlights how meaningless the debate over German dominance has become. The country is firmly embedded within the EU across a wide range of policy areas. Since the Maastricht Treaty — and more recently, the Lisbon Treaty — the European Union has emerged as a key foundation of Germany's political framework, just as Germany has become a cornerstone of the EU itself. This integration has progressed to such a degree that, in many areas of policy, it is hard to distinguish between what constitutes German policy and what is European policy — and the same applies in reverse (Böttger & Jopp, 2017). European leadership theory emphasizes the capacity of influential member states to influence the EU's policy agenda and direction through active involvement and coalition formation. Germany serves as a prime example of this leadership by utilizing its economic strength and political clout to facilitate conflict resolution and advance institutional changes. Throughout the Eurozone crisis, Germany's promotion of fiscal responsibility and structural reforms highlighted its pivotal role in guiding the EU's political and economic approaches, demonstrating a form of leadership that transcends mere material power to include normative and strategic aspects (Schmidt, 2015).

The theory of European leadership characterizes Germany as a "reluctant hegemon"—a nation equipped with the means and potential to lead, yet one that frequently opts to guide through consensus-building and multilateral avenues instead of imposing unilateral authority. Collectively, these viewpoints indicate that Germany's political role within the EU is not merely about asserting dominance, but reflects a nuanced balance of strategic moderation, collaborative governance, and targeted leadership within a broader supranational context (Bulmer, S & Paterson, W. E, 2013). Germany's political position within the European Union can be seen as a careful equilibrium between pursuing its own national priorities, engaging in multilateral collaboration, and providing leadership within EU institutions. Viewed through a neorealist lens, Germany — as the Union's most economically powerful member — aims to maintain its sway by leveraging institutional mechanisms, while simultaneously projecting hard power in domains like financial regulation and security strategy. This strategy highlights the importance of national interests and the dynamics of power allocation (Mearsheimer, 2001).

Neorealism

A nation's unique strategic culture significantly influences the way it contributes to global security and defense. the way a country defines its role in this context can serve as a driving force behind changes in its foreign policy. In the 1990s, Germany underwent a transformation in its strategic culture, spurred by shifts in the global landscape and rising expectations from its allies. This situation created a pressing need to enhance the defense capabilities of its military forces. Nevertheless, the failure of key political and military elites to establish a coherent framework—alongside difficulties related to defense spending—resulted in the collapse of this effort. As a result, Germany was forced to adjust its military posture to align with the realities of the post-Cold War order. In the post-Cold War era, Germany has assumed several roles: as a civilian power ('Zivilmacht'), a regional protector, a leader and innovator within the European Union, and an advocate of the principle of self-determination. From the viewpoint of neoclassical realism, one may argue that both systemic international changes and domestic-level dynamics jointly shape the course of German foreign policy (AĞRALI, 2024). Neorealism, as a framework for understanding state behavior, highlights the determining role of a state's external environment and its placement within the global system—particularly its relative power. Therefore, it is hardly surprising that several neorealist scholars, along with

numerous other analysts, anticipated a major shift in Germany's foreign and security policies following the end of the Cold War and the country's reunification. The collapse of the Soviet bloc and ultimately the Soviet Union itself removed many of the external limitations that had previously constrained West German policy in the post-World War II era—most notably, the military threat posed by the Warsaw Pact and Germany's resulting reliance on Western allies for its security. This led to a significantly expanded scope for independent action. At the same time, unification boosted the Federal Republic's already considerable base of raw power and pushed its borders further east, thereby enhancing its potential to assert influence across Europe and beyond. Meanwhile, the risk of instability in Eastern Europe and the outbreak of actual conflicts in the Balkans placed significant pressure on Germany to take measures aimed at safeguarding its national security (Duffield, 1999).

Neorealism asserts that the international system is defined by anarchy, which forces states to prioritize their own security and power to ensure survival (Waltz, 1979). Within this perspective, Germany's political role in the European Union is seen as a calculated effort to sustain its dominant status by utilizing its economic and demographic advantages. Although the EU operates through collaborative institutions, Germany's actions reveal a realist focus on advancing national interests, especially in maintaining economic stability and regional security. For example, Germany's strategy during the Eurozone crisis highlighted its emphasis on balancing power and upholding financial order, aligning with neorealist views on state conduct in an anarchic international system (Waltz, 1979). Within the German state elite, two main groups have played a key role in shaping and managing the EMU. The first group, officials from the Finance Ministry, supported the monetary union but advocated for the implementation of strict fiscal rules to prevent Germany from bearing financial responsibility for other member states. The second group, more cautious officials from the Bundesbank, viewed binding budgetary regulations as an essential prerequisite for the EMU to ensure 'monetary dominance' and maintain price stability. Both groups cautioned that without these rules, Germany would face the danger of 'importing inflation' via the common currency (G. Schoeller & Karlsson, 2021).

A survey of German foreign policy from 1990 to 2020 indicates that the country's policy shifts never reached the level of an "international orientation change." In Hermann's (1990) foundational framework, this represents the most profound form of foreign policy transformation, with other, less extensive types including "adjustment change," "program change," and "goal change (Mello, 2024). Germany has played a central role in shaping European unity, while at the same time being deeply shaped by the evolution of the European project itself. It would not be an overstatement to say that the process of European integration owes a great deal to the consistent backing it has received from Germany's elite – not only political figures, but also leaders in business and academia. Since the era of Adenauer, the perceived imperative to advance European integration – or at least to prevent it from falling back – has often required compromise: German leaders have had to accept domestic criticism in order to make difficult concessions, sometimes at the expense of institutions or traditions valued by the public. Even so, Germany's robust economy has greatly benefited from the European integration process – arguably more so than any other country (Gilbert, Oberloskamp, & Raithel, 2019).

Neoliberalism

The origins of German neoliberalism can be traced back to the Freiburg School, which developed in the 1920s and 1930s around key figures such as Walter Eucken, Franz Böhm, and Leonhard Miksch. Alongside them were Alexander Rüstow and Wilhelm Röpke—two German economists who maintained particularly close personal ties with Walter Eucken. At the theoretical level, the core objective of these ordoliberal thinkers was to challenge what they saw as the remnants of the German Historical School. This was evident in Rüstow's proposal to create a "Theoretical Club of Ricardians," as mentioned in a 1927 letter to Eucken. He also recommended inviting Austrian economists such as Hayek, Haberler, Machlup, and Mises to join the club. Beyond these personal connections between the ordoliberals and Hayek—as well as later advocates of the Chicago School—Köhler and Kolev highlight notable parallels in the research priorities of Freiburg and Chicago, particularly in relation to monetary policy during the 1930s. These similarities are especially apparent in the work of Friedrich Lutz, a student of Eucken, and Henry Simons (Pühringer, 2016). Germany's adoption of the social market economy model at the onset of the Cold War enabled the country to successfully balance liberal economic principles with strong national savings and a comprehensive social security system. The process of reunification marked a period of growth and advancement, positioning Germany as a key political and economic power on the global stage. The German government pursued social welfare programs that were closely tied to robust incentives for industrial productivity and efficiency. Gilpin explored the dual nature of the German economy, which at times aligns with the liberal capitalist model of the United States, while at other times reflects Japan's approach of encouraging high levels of savings. The German political-

economic framework relied heavily on coordinated efforts among private banks, large corporations, the industrial sector, the government, and labor unions. This corporatist structure within German capitalism highlighted a broader participation of both society and the state—alongside private enterprise—in managing the economy. Gilpin further stressed the central role played by major banks in financing industry, noting that labor groups, businesses of all sizes, and financial institutions were represented on supervisory boards, ensuring that every major economic and financial interest had a voice in national economic governance (Hedlund & Martins, 2017). Germany relies on the euro mainly because the currency enables it to secure competitive advantages through labor restructuring. It advocates for applying the same approach across the entire Eurozone — an approach based on strict labor adjustments and, consequently, a reconfiguration of competitiveness.

In other words, though somewhat paradoxically, when speaking in terms of the euro strategy, Germany is not merely pursuing its national interests. Rather, it aims to shape a broader framework for the European system of power organization — one intended to serve the collective interests of all capitalist member states, albeit a process marked by internal contradictions and occasional tactical setbacks (Pureza & Mortágua, 2016). The process of European integration embodies the expanded influence of the new German ideology by embedding liberal economic limitations within the constitutional framework of the single market, ensuring the protection of fair competition and the unrestricted movement of production factors. The principles of the market are depoliticized, naturalized, and framed as the only viable option. This phenomenon operates both at the domestic level and the supranational level, with both dimensions closely linked in the shift from a nation-state to an EU 'member state.' The constitutional entrenchment of market freedoms produces a disproportionate yet significant deregulation effect over time; driven by constitutional developments through judge-made law and acceptance by national courts, social democratic policies at the national level are weakened, while no compensatory mechanisms emerge at the supranational level due to the challenges in securing political consensus (Wilkinson, 2023).

Germany possesses the largest and one of the most robust economies on the continent. It boasts record-high export figures, ranks among the top countries in terms of gross national product per capita, and relies on one of the world's strongest currencies. The general wealth of the German population contributes to maintaining relative social stability. Although powerful, German trade unions have traditionally operated within the framework of law and order, prioritizing the collective interests of the nation—at least so far. Compared to the pre-war era, German capital is now more cosmopolitan in nature. It is no longer driven by narrow national interests but instead seeks out the most promising global markets. Investments are generally made with a long-term outlook, closely tied to expansion into new markets, collaborative industrial production, and economic integration (KARKOSZKA).

Challenges for German in European Union

Germany's current economic fragility, marked by the 2023 recession and an uncertain outlook for this year, reflects structural rather than purely cyclical issues. These have been further intensified by recent major crises of both strategic and macroeconomic dimensions. For German policymakers, the key challenge lies in crafting a long-term strategy that not only updates the country's economic model but also redefines its geo-economic position. Whereas in the past Germany's economic priorities were shaped by ties with non-EU partners—such as energy imports from Russia and growth driven by trade with China and the U.S.—in the future, renewed economic engagement with EU member states may prove increasingly essential. This shift could influence Berlin's motivation to advocate for deeper European economic and political integration (Bastasin, 2024).

Germany's approach to the European debt crisis can be readily interpreted. Its strategy has predominantly centered around austerity measures, strict fiscal discipline, and the inclusion of the International Monetary Fund in bailout efforts. Berlin has been openly discontented with countries it deems financially irresponsible—such as Greece—failing to meet the standards it upholds. From the German perspective, it has been somewhat convenient to pin the blame for the Eurozone's instability on a single member state. By focusing on a scapegoat, Germany has been able to delay more transformative reforms, such as issuing Eurobonds or establishing a unified banking resolution mechanism across the Eurozone—measures that would deepen integration and require a shift of authority from national governments to the EU level. Unsurprisingly, there is an ongoing and vigorous debate linking Germany to the extension of Greece's economic turmoil within the Eurozone. However, this view often stems from a misunderstanding among certain politicians, journalists, and scholars who criticize the Memorandum of Understanding as ineffective—frequently overlooking the fact that the Greek government has only implemented it in part (Möller & Parkes, 2012). Over the long run, Germany is unlikely to sustain its position in the global economy unless Europe remains competitive. Even under the most optimistic scenario—namely, a rapid resolution of the crisis in Greece—both Germany and Europe are expected to lose economic influence and, as a result, political power.

Europe's portion of the world's economic output is projected to decline from 26 percent in 2010 to around 17-18 percent by 2030. This is largely because major emerging economies, along with the United States, are anticipated to grow at a significantly faster pace than Europe. Between 2002 and 2007, the share of emerging economies in global economic growth surpassed that of OECD countries for the first time (Kreft, 2015). As the largest economy and a founding member of the European Union (EU), Germany faces a complex set of challenges in maintaining its leadership role while balancing both national priorities and the broader interests of Europe. A major challenge lies in addressing the economic imbalances between Northern and Southern member states, especially during financial crises or periods of debt instability, when Germany is often called upon to provide financial assistance through tools like the European Stability Mechanism. Moreover, Germany must contend with the rise of populism and Euroscepticism both domestically and across Europe, which complicates efforts to advance deeper integration and reform within the EU. On top of this, energy policy—particularly following the Ukraine crisis and the move away from reliance on Russian energy—has increased the pressure on Germany to help shape a unified EU energy strategy. These intertwined political and economic pressures require prudent leadership that can effectively balance national interests with the goal of European unity (Bulmer, 2019).

CONCLUSION

Germany, as the largest economy and a founding member of the European Union, occupies a pivotal leadership role that extends beyond national boundaries, requiring a delicate balance between domestic priorities and the collective interests of Europe. From the perspective of European Leadership Theory, this role emphasizes a culturally sensitive, collaborative, and socially responsible leadership approach that fosters inclusivity, dialogue, and cohesion within the EU. Integrating insights from Neoliberalism, Germany's leadership must leverage institutional cooperation, complex interdependence, and robust governance mechanisms—such as the European Stability Mechanism—to address persistent economic disparities between northern and southern member states and manage financial instability. Simultaneously, Neorealism highlights the importance of power dynamics and strategic positioning, underscoring Germany's need to navigate political pressures like rising populism, Euroscepticism, and the energy security challenges amplified by the Ukraine crisis and reduced reliance on Russian energy. Germany's leadership, therefore, must be multidimensional and adaptive, combining inclusive, participative strategies with pragmatic power considerations. By promoting social and political cohesion, advancing sustainable energy policies, and harmonizing national interests with broader European goals, Germany can reinforce the EU's stability, unity, and deeper integration. Ultimately, Germany's ability to integrate the principles of European Leadership Theory with the strategic insights of Neoliberalism and Neorealism will be critical in shaping a resilient, cohesive, and prosperous European Union capable of meeting present and future challenges.

Policy Implications

Germany's leadership in the European Union carries critical policy implications that extend across economic, political, and security domains. First, Germany must adopt a more balanced approach between fiscal discipline and solidarity to reduce intra-EU tensions, especially between Northern and Southern member states. Reforms to mechanisms like the European Stability Mechanism should prioritize equitable burden-sharing and transparent oversight. Second, Germany should leverage its institutional influence to support democratic governance and rule-of-law standards, countering the rise of Euroscepticism and populism that threaten EU cohesion. In terms of energy policy, Berlin must spearhead the creation of a unified EU energy framework focused on diversification, sustainability, and strategic autonomy, especially in response to geopolitical shifts following the Ukraine crisis. Additionally, Germany's continued advocacy for deeper integration in defense, trade, and digital regulation can strengthen EU resilience against global disruptions. Finally, adopting a more inclusive leadership style grounded in multilateralism and participative governance would help Germany retain legitimacy within the EU. Policy decisions that align national interests with collective European goals will reinforce Germany's role as a stabilizing force and trusted mediator in the Union. Ultimately, Germany's ability to lead with strategic vision and collaborative intent will shape the EU's long-term strength and global relevance.

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