**The Politics of the Eurozone Crisis:**

**Two Puzzles Behind the German Consensus**

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Is Germany’s ordoliberal ideology to blame for a boring election campaign in which the major German parties ignored the central question of the reform of the Eurozone? Certainly, it has become commonplace to explain German policy during the European financial crisis with reference to ordoliberal ideology.[[1]](#footnote-1) This is true of German scholars (e.g., Dullien and Guerot 2010; Funk 2013), US-based (e.g., Silvia 2011; Blyth 2013) and UK-based scholars (e.g., Dyson 2010). Popular books make this argument as well (Schieritz 2013, Beck 2013). The basic structure of these works generally stresses some kind of evidence that ‘Germany is different’ when it comes to diagnosing and addressing the crisis and that the explanation for this difference lies at least partially in the ideological heritage of ordoliberalism, which is held to influence large swaths of the political spectrum in Germany. To be sure, none of these authors deny that there is also a Keynesian legacy in German politics. But this substantial body of scholarship stresses the *centrality* of ordoliberal beliefs in explaining German policy choices since 2010.

 At the same time, it is also commonplace to call the 2013 election campaign the most boring in history.[[2]](#footnote-2) Within the ‘campaign is boring’ trope, commentators seemed to reserve special frustration for the main parties’ unwillingness to discuss the Eurocrisis in any substantive detail, leaving voters to presume that there were no basic differences among the parties. Indeed, one new party, the ‘Alternative for Germany’ (AfD), nearly cleared the 5% barrier by insisting that the established parties were sweeping the Euro issue under the rug.[[3]](#footnote-3)

At first glance, these two generalizations might appear perfectly complementary: the reason the campaign was boring was that the common ordoliberal diagnosis across at least the CDU/CSU, FDP, and important parts of the SPD and Greens left them little of substance to fight about when it came to the euro. And yet this formulation cannot explain two puzzling facts. The first puzzle is that notwithstanding a shared ordoliberal diagnosis, elites within what Germans call the ‘bourgeois camp’ (*bürgerlicher Lager*) actually had and have very important substantive disagreements over the politics of the Euro rescue. Here, the emergence of the AfD is only one of several indications that ordoliberal ideology underdetermines political behavior. Ordoliberals have very important fights over ordoliberal principles that generate almost diametrically opposed positions on the most important issues. Meanwhile, a second puzzling fact is that the dominant ordoliberal position to emerge so far—that Germany should bend or break prior ordoliberal-inspired institutional commitments in order to preserve the euro in return for structural reforms that go in ordoliberal directions—has found a very broad consensus in Germany, *including among many who don’t share the ordoliberal diagnosis*.

Thus, contrary to the picture of a country that has policy agreement because it has ideological agreement, this short paper argues that ideological agreement has been insufficient to generate policy agreement *within* the ordoliberal camp and yet, perhaps paradoxically, it has been able to help generate policy agreement *between* ordoliberals and Keynesians. The result is that Germany had a boring debate on the euro during the campaign, and a subsequent coalition agreement among parties representing 67% of the electorate has now agreed to continue these policies going forward. Meanwhile, a minority of ordoliberals are hysterically unhappy with this consensus.[[4]](#footnote-4) This paper explains how that situation has come about.

**Ordoliberalism: We can’t Explain Diversity with a Constant**

Many authors have stressed ordoliberal thinking as a key factor in explaining Germany’s controversial policy choices during the Eurocrisis (Silvia 2011, Dullien and Guerot 2010). There is no doubt ordoliberal thought has had a profound and pervasive influence in Germany. This influence is hardly limited to economists. For example, Schieritz (2013) shows that the dominance of ordoliberal thinking extends well beyond economics departments and encompasses also politics and media, with the *Frankfurter Allgemeine Zeitung* coming in for particular notice as the enforcer of orthodoxy in the political class. Some of the ordoliberal diagnoses have deeply penetrated mass attitudes as well. Schieritz argues, for example, that German voters cannot distinguish between increases in money supply as a result of central bank activity and effective increases in money in circulation. Though the latter would be required for increased in money supply to cause inflation, many German voters remain quite concerned about inflation. That much of the money created by the ECB remains parked in bank accounts with little direct effect on price stability has thus not penetrated the domestic discourse (nor indeed that inflationary effects likely would still require supply constraints to raise prices).

In short, there seems little doubt that ordoliberal thought is pervasive and influential in Germany. Yet ordoliberalism can be pervasive and influential and still make an awkward explanatory factor for many specific outcomes. Indeed, while ordoliberal ideology is clearly very important in Germany, it cannot adequately explain German responses to the crisis for the simple reason that ordoliberals are on all sides of every important debate over the euro. Ordoliberalism is an incomplete theory of economic life, whose most important insights and axioms are used quite inconsistently in the German debate.[[5]](#footnote-5) Thus, while invoking ordoliberalism is popular in explaining why German responses differ from those of other states, this ideology appears to underdetermine outcomes. Ordoliberal principles—never completely worked into a full theory of the economy—are invoked in *all* parts of the German debate.[[6]](#footnote-6)

For example, the June 2013 oral arguments in Karlsruhe often witnessed the government invoking ordoliberal principles of rule-making in defending the ESM while its attackers invoke ordoliberal principles as well.[[7]](#footnote-7) The leader of *Alternative für Deutschland* is a longtime CDU member and professor economics, and some CDU members of parliament, such as Klaus-Peter Willsch, criticized the CDU-FDP coalition’s euro-policies insisting that the government was breaking with core ordoliberal principles. Constitutional Court debates on the Euro have often pitted opponents and proponents of rescue instruments. Some ordoliberals wish to rescue German banks (or at least not hasten their decline by allowing the ECB to find more problems than it can fix); others would prefer to liquidate the weak ones sooner rather than later. Similar fights have happened inside the German Bundesbank and the European Central Bank, with prominent German ordoliberals resigning from both institutions.[[8]](#footnote-8)

To pick up just one illustration, take the ferocious debate *among* ordoliberals around the concept of ‘stability,’ a word invoked obsessively by the Chancellor.[[9]](#footnote-9) This ritual invocation, however, actually hides considerable differences in meaning. For some ordoliberals, stability requires the original EMU rules be followed to the letter (e.g., Sinn 2013). Stable policy—including adherence to the no bail out clause and avoidance of monetary financing of state debt—will bring stable, positive outcomes. For other, however positive the old rules were, we now confront a situation where following them will break the euro *and this would not be stable*.[[10]](#footnote-10) Thus, stability is constantly invoked by different actors but to back substantially different reform proposals. To oversimplify for sake of clarity, one camp defines stability as the continuity of core German practices of political economy as extended to the European level through an independent European Central Bank, the Stability and Growth Pact, and the no bail-out clause. Policy ‘innovations’ are to be feared since they threaten the recipe for economic success at both regional and national levels. If this camp defines stability as ‘saving the institutions,’ however, the other camp defines stability as ‘saving the euro.’ For them, policy innovation is critical since, whatever the success of German policies at the national level, other European states have been unable or unwilling to make them work. A stable euro thus demands change.

To be sure, all sides of this sprawling debate *within* German ordoliberalism stress the need for structural reform in struggling Eurozone states. Yet even though Merkel talks incessantly about exporting Germany’s ‘stability culture’ along with its rules, we know that such institutional transfer is not a matter of culture. For example, Jacoby (2000) shows that Germany could not export pure ordoliberal rules even to Eastern Germany, where cultural differences are surely smaller than between Germany and Portugal or Greece. Yet a variant of this same fight over institutional integrity happened in Eastern Germany after 1990. For example, the West German practice of nationally-binding collective bargains pushed up East German wages to a level that helped spark mass layoffs and a wave of bankruptcies among low quality post-socialist firms. The choice was either to keep the rules and destroy virtually the entire economy or search for a flexible solution that invented new measures, such as ‘opening clauses’ that gave firms and works councils some discretion in applying patterned wage settlements (Jacoby 2000).

The reunification experience showed, to those with eyes to see, the impossibility of pure ordoliberalism in an economy not already attuned to these practices. Some German ordoliberals conclude that, regretfully, specific institutions and practices may need to be relaxed in order to save as much ordoliberal discipline and principle as possible. Other ordoliberals draw a different conclusion from this same ‘impossibility premise’: that states not ready for it should not be in the Eurozone.

This dilemma of saving the original EMU institutions or saving the actual currency union flows directly into a broader debate about German assistance for other members of the Eurozone. Here, there are three basic positions: First, that Germany is economically healthy, and some other European states are not, so Germany should help them. This formulation has both a self-interested and an altruistic inflection. The latter version is most familiar as the straw man position in the populist *Bild Zeitung*—that the Germans’ fault is that they are too soft on the irresponsible South—but the former version is much more common: Germany has a huge investment in the Eurozone and can and should make a substantial contribution to its survival.

The second position is that Germany is economically healthy, and others are not, so Germany should *not* help. Here, there is both an economic case—the ‘why sink the rescue boat?’ argument (Sinn 2012)—and a more normative economic Calvinism case in which the culpable must pay the wages of their sin.[[11]](#footnote-11)

The third position in the debate is that Germany is not economically healthy either and so is in no position to help anyone. For example, Das (2012) argues Germany will be ‘the biggest loser’ of the Eurocrisis and puts the total German exposure at €211 billion to the EFSF and another €600 billion to TARGET2 and suggests Germany’s combined obligations will swamp its economy and damage its creditworthiness.[[12]](#footnote-12) So far, the German consensus has been around the first position—‘help’—but the subsequent question has been *what* to do. Thus, while German decision-making may appear from the outside to be either principled or pitiless, a closer look reveals persistent ambivalence—an ambivalence that also helped tie the tongues of the major parties during the 2013 campaign.

**From Ambivalence in Theory to Ambivalence in Practice**

The prior section established that notwithstanding the powerful sway of ordoliberal ideas, German elites remain deeply divided on the proper course in the face of the Eurocrisis. A hallmark of German policy has thus been slow and deliberate measures (Jacoby 2014; Beck 2012). This pattern was most pronounced with the long run up to the German elections in September 2013, but it was visible long before then and continued to be true in the wrangling over the Single Resolution Mechanism that preceded the December 2103 European Council Meetings (*Der Spiegel* 12/16/2103). This middle section of the paper analyzes four reasons for German delay, developing further the claim that ordoliberalism is a big enough tent that key German actors draw powerfully different policy implications from its general tenets.

Citizens of the countries most afflicted by the Eurozone crisis are desperate for relief, but German policy has stressed incremental reforms of the Eurozone framework and, especially, the deeper constitutionalization of fiscal balances already agreed in earlier periods. Why the slow, painstaking reinvention of fiscal wheels when the problems evidently lie so much deeper? The German government has had several aims in buying time, such that the slow pace of reform is overdetermined. To be clear, the German government would love to solve the Eurocrisis and has, at times, clearly been desperate to do so. But it judges that no available options are superior to the course it has chosen, and that course, because it requires very extensive structural adjustment in the peripheral states, is understood to be a long-term project. Because Germany has continuously been able to influence the terms of this protracted debate ad because the German economy has broadly prospered during much of the ‘crisis,’ the pace of reform has been politically tolerable.[[13]](#footnote-13)

First, the most commonly-invoked rationale for delay is simply that the fundamental reform impulses must come from the states whose financing models are most under threat. That is, the German refusal to permit monetary financing of state deficits by the ECB ramps up—or at least fails to relieve—the reform pressure on governments in the Eurozone periphery. From all the various ordoliberal perspectives, such states have avoided difficult labor market reforms.

Of course, the degree of labor market reform required in the Eurozone peripheral states is also contested (see Hopkins 2014). Ireland, for example, has very flexible labor markets but a huge debt as a consequence of banking bailouts. Other troubled states had reformed labor market rules and trimmed pension benefits such that the leverage of more labor market reforms for the quick reversal of the ongoing crisis is questionable (e.g. Armingeon and Baccaro 2012; Hall 2012). Moreover, Germany’s own earlier and more aggressive labor market adjustments, known as the Hartz reforms, came during a period in which state spending was expanding rather than contracting, with Germany several times breaking the Maastricht criteria of a maximum of 3% of GDP in annual government deficits. This fact seems to have escaped the German popular imagination, which often implies some version of ‘we made the tough choices to promote competitiveness and now so must others’ (Privatera 2013; Bastasin 2013). While this summarizes the dominant CDU-FDP position, many ordoliberals emphasize that such structural reforms require time and democratic legitimation, neither of which is available. The explicit implication is that such states should pursue their painful and protracted reforms *outside* the Eurozone (Sinn 2012; Kerber 2013).

A second rationale for moving slowly is to increase pressure on private counterparties to accept haircuts in those cases where states and financial institutions have debts beyond their ability to service. Merkel’s insistence that private counterparties accept losses (‘adequate participation of private creditors’) in the second restructuring of Greek debt suggest this motive was already operative by the October 2010 Deauville summit, at latest. Though the fallout from this decision was considerable, Merkel fought to keep bail-ins on the table in subsequent discussions. Here, German stubbornness has led to a broader acceptance of the need for bail-ins. The most consequential was the Cyprus deal in early 2013, when Germany and other member states pushed bailing-in of €7 billion out of a €17 billion total rescue package.[[14]](#footnote-14) The most recent agreement on bank resolution at the EU level calls for a minimum of 8% participation from private sources—creditors and owners—before public money can be used.

More broadly, the Cyprus case reflects Berlin’s experiments with a harder ‘reform or go under’ message to troubled states. Even Finance Minister Wolfgang Schäuble—decidedly on the more flexible end of the ordoliberal conversation—worked to prepare the European debate for the possibility that the Eurozone could survive the end of Cypriot participation. While Cyprus—like Greece—is easy to single out for especially bad behavior, Merkel is not steering for the mere survival of the Eurozone but rather is using the crisis to oblige Germany’s European partners to reform in the face of globalization. This is why so often German policies on structural reform seem so disconnected from the reality of the Eurocrisis: they are often about something else. But is the Eurocrisis a legitimate lever for obliging the kinds of reforms that previously could not garner majority support in various European democracies? Again, some prominent ordoliberals insist that it is not and worry that instrumentalizing the crisis in this way will generate an anti-German backlash elsewhere in Europe (Kerber 2013).

While Germany has aggressively pushed the costs of adjustment onto other states, a third motive for German policy delay does lie closer to home in the troubled situation of Germany’s own banks. Germany sought to provide a window in which banks could get healthy after heavy exposure to the bonds of Southern European states. Here, too, ordoliberals disagree with one another. The CDU-FDP government put in place structures that allowed German banks to offload bad debt (Zimmermann 2012). The government also went along with fairly superficial ‘stress tests’ that subjected banks to fairly light scrutiny (Veron 2012). Meanwhile, other ordoliberals argued for a much stricter and more rapid resolution of troubled German banks consistent with the broad ordoliberal principle that health markets drive out unhealthy firms. In this instance—as with their expressions of concern over the effects of austerity in Southern Europe—these ordoliberals made arguments substantively similar to those on the German left who wished to see banks pay for their miscalculations or their misdeeds.

The evidence is mixed on the extent to which German banks have been able to exit the periphery. BIS data suggest German banks had just over €700 billion exposure to Italy, Portugal, Greece, Ireland and Spain by the end of 2009.[[15]](#footnote-15) Various bailouts have allowed German banks to repatriate some of those claims (German banks ‘brought home’ about €319 billion from other European countries between 2009-2011—including from the countries named above, plus France and Belgium). The Bundesbank absorbed most of these liabilities through the TARGET2 system, but in the event of default, Germany would be responsible for 28% of the burden – not 100% (or whatever portion of German banks’ liabilities it chose to cover). Still, Gros (2013) shows that German banks are still the most exposed to sovereign debt (their own state’s and others’) of any banks in Europe. The forthcoming ECB Asset Quality Reviews (AQR) should resolve this question empirically, though all but the largest of Germany’s saving banks should be exempt from direct ECB control.

A fourth and more speculative German motive for buying time might have been the significant mismatch between Germany’s own fairly static financial regulatory practices and substantial new experiments in the financial sector over the 2000s. Germany has long sought to upload its domestic practices—in function if not always in form—to the European level. While this tendency admittedly had tapered off after the end of the Kohl governments (Paterson and Bulmer 2010), Germany has no appropriate system of financial regulation to upload.[[16]](#footnote-16) Instead, it has a badly fragmented financial supervisory system that is essentially a permanent tug of war between the Bundesbank and the *Bundesanstalt für Finanzdienstleistungsaufsicht* (Zimmermann 2012). Germany also has multiple deposit insurance schemes corresponding to different types of banks, and this diversity has been one factor in its reluctance to envision a single European entity for deposit insurance and bank resolution (interviews, Ministry of Finance, June 2013).

This section extended the argument about the indeterminacy of ordoliberalism. It did so by showing various ways in which German policies that tended, ceteris paribus, to slow the Eurozone rescue reflected clear political calculations but also tended to reflect unsettled issues that continue to divide ordoliberals. Together, these sections address the article’s first puzzle, namely that ordoliberal dominance in Germany has not really brought policy consensus. The article’s final section turns to a second puzzle, namely that ideological divisions between Christian Democrats and Social Democrats have not been sufficient to result in real controversy over German policy towards the Eurozone. While ideological soulmates inside ordoliberalism fight like cats and dogs all the way to the Constitutional Court, ideological competitors now sharing the government appear to have no substantive disagreements.

**Was the 2013 campaign really boring?**

Well, yes it was, at least on the issue of the euro. The 2013 Bundestag election virtually ignored the Eurocrisis, primarily because the two largest parties had little reason to discuss the crisis in any detail, which made it difficult—but not impossible—for smaller parties to highlight the issues. To be sure, the CDU continually put forward a claim of successful German management of the crisis, a narrative tightly focused around Germany’s resolute advice that the cause of the crisis was excess debt and regulation in certain Eurozone member states and that the solution was less debt and more growth-enhancing structural reforms in those states. This argument worked well with most voters, and the main opposition party—the SPD—concluded that the incumbent parties of government were simply not vulnerable to attack on this issue and chose to downplay it at every turn. As I discuss below, the Eurocrisis never achieved anything like a central place in the SPD’s electoral strategy in 2013.

Meanwhile, the CDU-CDU was well aware that many of their voters—as well as a number of leading intellectual figures in the party—were unconvinced by the wisdom of bailing out Greece, Portugal, and Ireland and of preparing a large fund for the potential rescue of other Eurozone members. Many were also unnerved by the ECB’s aggressive stance on monetary policy, including a program for Outright Monetary Transactions announced by the ECB in late summer 2012. Eventually, the CDU-CSU-FDP coalition faced an electoral challenge to its crisis-management strategy in the form of the *Alternative für Deutschland*, which barely missed the 5% hurdle for entry into the Bundestag. While this party drew votes from several different parties, its leadership was almost entirely associated with CDU/CDU and FDP officials. This meant that the parties of the ruling coalition generally had few incentives to address the Eurocrisis, since they were all quite vulnerable to a challenge from an ordoliberal direction.[[17]](#footnote-17)

Even a brief look at the two electoral programs confirms this picture that the Eurocrisis was largely absent. In the SPD’s 2013 electoral program, the word Eurocrisis (“*eurokrise*”) appears just one time, and there is no separate discussion of the euro.[[18]](#footnote-18) Given that the document is 120 pages long, it is remarkable how little attention is paid the crisis. There are references to the more general ‘financial and economic crisis’, the party’s preferred formulation, along with scattered references to the ‘banking crisis’ (e.g., 16, 24). There is a reference to the SPD’s own ‘successful crisis management’ at the onset of the global financial crisis—a reference to the earlier grand coalition that held up to 2009. The program also includes an attack on ‘austerity’ (10), a call for financial transaction tax (15, 71), a call for larger bank reserves (16), a call for bankers to share in losses created through their banks (25). The program calls very briefly call for a form of debt mutualizaton (‘*Schuldentilgungsfonds’*), connected with reforms in recipient states (26).[[19]](#footnote-19) The toxic term Eurobond is avoided entirely. Finally, the general section on European affairs charges the government with being both slow and cold towards other states in crisis. This raised the cost of reactions, and it engendered animosity in Europe towards Germany (103 ff). But the section is dominated by a discussion of desirable constitutional changes sought at the EU level (mostly to promote democracy and legitimacy), with little substantive discussion of economic reforms.

The CDU’s much shorter electoral program gave the basket of Eurocrisis issues even shorter shrift.[[20]](#footnote-20) The program had several fairly vague formulations about the importance of financial stability and rectitude, the need for growth-stimulating structural reforms in states hard hit by crisis, and for forward-looking investment and innovation in such states (e.g. p. 4). In general, the CDU emphasized very strongly that the primary adjustment to the Eurocrisis—typically referred to as the ‘debt crisis’ (e.g. p. 3,8,9)—had to come from the hardest-hit states—and not from initiatives at the regional level, which could play only a supporting role in reforms. There is a heavy emphasis in the program on uploading German achievements to the European level, whether the dual system of vocational training (p. 4, 23), debt brakes (p. 9), and the social market economy more generally (p. 8).

The overall tone of the CDU program is that German-led or German-inspired reforms have put the crisis-struck states and the Euro more generally onto the right path and that trends are headed in the right direction. The task now is for Germany and Europe to stay this course. Despite the brevity of the SPD’s dalliance with the notion of Eurobonds—and despite the non-partisan German Council of Economic Advisors’ endorsement of a limited form of debt mutualization—the CDU/CSU program endeavored to tie ‘Red-Green’ to the notion of Eurobonds at several turns (e.g. 3,9).

Moving beyond programs to the campaign itself, it was widely remarked how little attention was paid to the Eurocrisis in the campaign. Of course, the AfD tried vigorously to push the Euro topics to the center of the discussion and lambasted the major parties for saying so little about the issues. To an extent, the Left Party also stressed the Eurocrisis, both in its official program and in campaign appearances by its leading lights.[[21]](#footnote-21) But with the two largest parties resolutely committed to playing down the basket of issues associated with the Eurocrisis, these topics never received much traction in the campaign.

Perhaps it is not completely surprising, then, that these issues also played a relatively modest role in the subsequent coalition agreement among CDU-CSU and SPD. Of course, the coalition agreement does contain a major section on Europe, including subsections on the management of the crisis. The document lists European unity as the “most important” German responsibility (‘*Aufgabe’*) (157) and notes forcefully that the Germany stands by the single currency (158). In general, the document’s tone in this section very much mirrors the language of the CDU-CSU electoral program and campaign discourse, reinforcing at every opportunity the very broad advice that all European states—but especially those in the Eurozone—need sound public finances and thoroughgoing structural reforms. “All forms of debt mutualization” are ruled out, and the need for democratic legitimation of rescue steps are underscored in several spots, including an assurance that any use of the ESM would require the Bundestag’s approval.

To the extent that themes from the SPD program enter this section of the agreement, they are generally banded together with themes underscored by the CDU. Examples include the combination of growth and employment with “sound public finances” and solidarity with national self-reliance (156). There are brief references to ‘imbalances’ and the EU’s Excessive Imbalance Procedure, as well as to youth unemployment and the need for investment. Thus, the surprising conclusion of this section is that the key ideological rivals in German politics have downplayed the Eurocrisis until it barely registers. While this may be less surprising in a coalition document that, after all, is obliged to articulate a consensus, we have seen that there was also no real debate in the campaign or even in the party programs. Outside observers can be forgiven for expressing puzzlement that the most important state in the politics of the Eurozone reforms has virtually no visible domestic debate about the wisdom of its policies.

**Conclusions**

This paper has made three contributions to the special issue’s analysis of the 2013 German elections. First, it showed that however important ordoliberal thinking in Germany is—and there are many reasons it is quite important—it works awkwardly as an explanatory factor for policy choices around the euro-rescue simply because it *underdetermines* such choices. That is, different actors clearly influenced by ordoliberal thinking and often stressing different aspects of the broader ordoliberal cannon are arguing for more or less diametrically opposed policy solutions. The bitterest denunciations of German Euro rescue policy have generally come from disappointed ordoliberals who can’t quite believe what fellow ordoliberals have done. German ordoliberals, used to fighting Keynesian infidels, have been preoccupied instead with accusing one another of heresy.

 The article’s second contribution was to provide evidence that this deep divide inside the ordoliberal policy community has contributed additional incentives to the tentative and inconclusive policy choices of the government. The section developed four broad reasons that the government has felt constrained to move very slowly and cautiously in addressing the Eurocrisis. In many cases, though not all, it is possible to see profound rifts within the ordoliberal camp as one cause of the government’s ambivalent policy.

 The article’s third contribution was to extend the analysis of this very cautious policymaking into the campaign phase and the subsequent coalition agreement. Throughout, the emphasis was on the desire of the two major German parties to play down the Eurocrisis, with the CDU hoping to avoid criticism from a certain ordoliberal perspective that would lead to additional loss of votes to the AfD and the SPD understanding that its particular doubts about Merkel’s rescue politics would not be rewarded by German voters.

Thus, if the first puzzle to explain was how it was that ordoliberals were so deeply divided, the second puzzle was why the Grand Coalition—which includes a party with a much thinner attachment to ordoliberalism—has shown little inclination to fight over Germany’s Euro-rescue policies. The answer is that the CDU has done enough to convince German voters that a non-ordoliberal approach is too risky and costly but not enough to neutralize the doubts from within their own ranks. Whether this is a stable balance will, of course, have to be seen in the Grand Coalition’s performance.

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1. This article follows conventions and defines ordoliberalism as a body of economic thought that stresses an institutionally defined economic “order” that establishes and regulates markets. Contrary to neoliberalism, with which it is often confused, ordoliberalism denies any kind of natural ontology for markets, insisting that states must instead construct an “economic constitution” in order for the market to work properly. German ordoliberalism has traditionally had strong preferences for flexible labor market structures, anticartel laws that limit firms’ abilities to exploit consumers, and an independent central bank focused on price stability. See David Gerber, “Constitutionalising the economy: German neo-liberalism, competition law and the ‘new’ Europe,’” *American Journal of Comparative Law* 42, No. 1 (1994): 25–74. Christian Joerges and Florian Rödl, “’Social market economy’ as Europe’s social model?” in *A European Social Citizenship? Preconditions for Future Policies from a Historical Perspective*, ed. Lars Magnusson and Bo Strath (Brussels, 2004): 125-159. Peter Nedergaard, “The Influence of Ordoliberalism in European Integration Processes: A Framework for Ideational Influence with Competition Policy and Monetary Policy as Cases,” unpublished paper, University of Copenhagen (2013).  Christopher Allen, “The road to 2005: The policy of economic modernisation” [*German Politics*](file:///javascript/__doLinkPostBack%28%27%27%2C%27mdb~~aph%257C%257Cjdb~~aphjnh%257C%257Css~~JN%20%2522German%20Politics%2522%257C%257Csl~~jh%27%2C%27%27%29%3B) 15, no. 4 (2006): 347-360. [↑](#footnote-ref-1)
2. The ‘boring’ trope was fairly ubiquitous in fall 2013, appearing in the pages of *Foreign Affairs*, the *Financial Times*, *New York Times,* *Deutsche Welle* and blogs such as Open Democracy and Open Europe. Even Wikipedia got in on the act. In Germany itself, the trope appeared in *Süddeutsche Zeitung*, *Der Spiegel*, *Frankfurter* *Allgemeine Zeitung*, and *Tagesspiegel*, among countless others. [↑](#footnote-ref-2)
3. *Alternative für Deutschland*. [↑](#footnote-ref-3)
4. There is also dissent based on a broadly Keynesian diagnosis articulated most forcefully by the Left Party. There are a number of German economists who also put forward a Keynesian diagnosis (Nachtwey 2013). [↑](#footnote-ref-4)
5. Some inconsistencies can be traced back to original formulations (Bronk 2013; Blyth 2013). [↑](#footnote-ref-5)
6. Beyond the indeterminacy of ordoliberalism when it comes to detailed matters of institutional design, there is the additional point that not all German thinking is ordoliberal. While it is true that Keynesian economics is underrepresented in the German academy, some parts of the German debate also share the criticisms of an ‘austerity only’ approach to European reform (Dullien) [↑](#footnote-ref-6)
7. See, for example, the interventions of Berlin Public Finance Professor Markus Kerber. [↑](#footnote-ref-7)
8. Jürgen Stark resigned from the ECB in 2011; Axel Weber from the Bundesbank also in 2011. [↑](#footnote-ref-8)
9. German politicians throw around the word ‘stability’ like American ones throw around ‘freedom,’ which also means very different things to different groups (Foner 1999). [↑](#footnote-ref-9)
10. This appears to be Mario Draghi’s position. In announcing in July 2012 the possibility of extraordinary steps, he implied it was appropriate to imply that the ECB’s ‘mandate’ demanded that it do ‘whatever is necessary’ to preserve the Euro. If the Euro failed, this would not be in keeping with ‘stability.’ [↑](#footnote-ref-10)
11. Merkel herself has spoken of countries that have to ‘pay for their past sins.’ That this is a line she’d love to have back does not diminish the importance of its sentiment for German thinking on the crisis. [↑](#footnote-ref-11)
12. http://www.eurointelligence.com/eurointelligence-news/comment/singleview/article/the-euro-zone-debt-crisis-we-need-to-talk-about-germany.html [↑](#footnote-ref-12)
13. Merkel’s approval ratings fell to around 40% in 2010 but recovered over the next three years, such that she went into the election with an approval rating around 70% (ARD data). [↑](#footnote-ref-13)
14. The SPD and Greens attacked the Merkel government for a deal that initially exposed small depositors, but they too generally accepted the need for large depositors to take losses. [↑](#footnote-ref-14)
15. http://www.businessweek.com/articles/2012-05-24/bloomberg-view-germanys-banks-must-assist-in-europes-cleanup [↑](#footnote-ref-15)
16. The next section provides evidence that the new coalition would like to upload other features of the German political economy. [↑](#footnote-ref-16)
17. On the topic of ‘issue neutralization,’ see Clemens (2014). [↑](#footnote-ref-17)
18. All page references in this paragraph are from the SPD program at <http://www.spd.de/linkableblob/96686/data/> [↑](#footnote-ref-18)
19. The German Council of economic Advisors had earlier called for such a fund to be established. [↑](#footnote-ref-19)
20. <http://www.cdu.de/sites/default/files/media/dokumente/regierungsprogramm-2013-2017-langfassung-20130911.pdf> All page references are from this document. [↑](#footnote-ref-20)
21. http://www.die-linke.de/wahlen/startseite/wahlprogramm-2013/wahlprogramm-2013/ [↑](#footnote-ref-21)