**Morality in the Service of Mercantilism:**

**Selective Ordoliberalism and German Economic Governance in Europe**

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*Abstract*

Multiple studies have appeared recently that attribute the Eurozone crisis and the failure to resolve it to German elites’ and voters’ fealty to Ordoliberalism. This interpretation is shared by the otherwise antagonistic historical institutionalist and ‘ideational’ schools of comparative political economy, which respectively hold that it was German policy institutions’ or leaders’ ordoliberal principles that caused them to attribute the crisis in the Eurozone’s periphery to fiscal profligacy and brought them to intervene ‘too little, too late’ for fear of violating Ordoliberalism’s central liability principle. The argument advanced below is that this ordoliberal interpretive and prescriptive framework is insufficient to explain Germany’s response to the Eurozone crisis. Specifically, Ordoliberalism was most comprehensively applied when it remained in line with key German economic and political interests, such as the cultivation of its export-led growth model and leadership of the European Union (EU), as well as the principal institutional articulations, such as the Single Market and European Monetary Union (EMU), that advanced them. When the strict application of its principles ran against these key national interests, German political leaders selectively deferred from Ordoliberalism in order to preserve the latter. This article considers the implications of Germany’s selective pursuit of Ordoliberalism from a European dimension. It concludes that the country’s discretionary approach to maintaining its export-led growth model is undermining the functional bases and political legitimacy of German governance in Europe.

*Keywords*:

Ordoliberalism; European Sovereign Debt Crisis; Germany—Economic Policy; European Union—Economic Policy

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The Eurozone debt crisis has brought Ordoliberalism back to the analytical fore. A number of studies have recently appeared that attribute the structural causes of the crisis, as well as the failure to systemically resolve it, to German elites’ and voters’ blind faith in ordoliberal principles and policies.[[1]](#footnote-1) This interpretation is notably shared by the otherwise theoretically antagonistic historical institutionalist and ideational schools of comparative political economy. For historical institutionalists and notably the tenants of the varieties-of-capitalism (VoC) school, as a function of their having been modeled on West German economic and policy institutions and federal political structures,[[2]](#footnote-2) ordoliberal principles were enshrined in the principal institutions—the European Central Bank (ECB), European Commission, and European Court of Justice—charged with overseeing European economic governance and specifically, the functioning of the euro.[[3]](#footnote-3) Specifically, the structural reform-cum-austerity programs imposed by the Troika on the Eurozone’s debt-ridden peripheral states were in keeping with the monetarily and fiscally prudential principles long set down by (West) German policy institutions underlying the country’s postwar coordinated market economy.[[4]](#footnote-4) In turn, according to ideational theorists it was German political leaders’—and by extension, electorate’s—ordoliberal beliefs about the economy that caused them to interpret the crisis in the Eurozone’s periphery as essentially attributable to fiscal profligacy and reckless overspending. In turn, this perspective brought German leaders to repeatedly intervene ‘too little, too late’ in order to resolve the peripheral countries’ financial troubles for fear of violating Ordoliberalism’s central liability principle and thus encouraging moral hazard within them.[[5]](#footnote-5) By the same token, these analysts argue that these same ordoliberal beliefs brought German political and business elites, academic and policy experts, opinion leaders and voters to look skeptically if not negatively on the assistance packages that were agreed to help the failing GIPS (Greece, Ireland, Portugal and Spain) countries.[[6]](#footnote-6) Hewing to a Manichean reading of European economic relations that divides the Eurozone into “saints and sinners,” these policy actors and associated epistemic communities insisted that such aid programs come with strict ordoliberal “austerity-cum-structural reform” conditions that would be rigorously enforced according to the provisions of the Six Pack, Two Pack and Fiscal Compact as prerequisites for receiving assistance.[[7]](#footnote-7)

Empirically, there is much to commend this conception positing the institutional or ideational centrality of Ordoliberalism in Germany’s apprehension of and response to the European debt crisis. It is undeniable that ordoliberal principles, or at least an ordoliberal sensibility, can be deciphered in German voters’ and elites’ perceptions of economic questions. By the same token, it cannot be doubted that influential policy institutions and epistemic communities within Germany have sought to disseminate, publicize and reinforce these principles in the public mind. Nevertheless, the view that will be advanced here is that the ordoliberal interpretive and prescriptive framework is not, contrary to what historical institutionalist and ideational theorists maintain, sufficient to explain Germany’s reading of and approach to the Eurozone crisis. That is because when push came to shove, and Germany’s key economic and political interests found themselves threatened by the latter—not least by a potential collapse of the euro —the country’s leaders and voters abandoned their ordoliberal scruples in order to safeguard these interests. In this perspective, though Ordoliberalism played a significant role in postwar German economic policymaking and development, it was also selectively derogated from by German leaders—including self-professed ordoliberals—when the country’s national economic and political interests were at stake.

This discretionary application of Ordoliberalism as a consequence of German domestic interests and transnational power comes out particularly strongly in the context of the Eurozone debt crisis. An analysis of the country’s response to the latter shows that Ordoliberalism was most comprehensively applied when it was in line with key German economic and political interests—chiefly its export-led growth model

and participation in European integration— and the principal institutions which advanced those interests as well as their supporting sectoral, intellectual and cultural frameworks. However, when it ran against the grain of German national interests, the application of ordoliberal rules was selectively suspended so as not to damage the latter.

This paper explores the political implications of this discretionary application of ordoliberal principles from the European dimension. It posits that Germany’s instrumental approach to maintaining this economically and socially prohibitive export-led growth model through the selective derogation from ordoliberal rules for itself while seeking the universal imposition of these rules everywhere else in the EU is progressively undermining the political bases of German economic governance in Europe. This argument will be developed in three sections. In the first, the German national interest will be adumbrated and its connection to Ordoliberalism specified. It shall be argued that though the latter provided the foundational principles that underwrote the country’s postwar export-driven economic boom and by extension, democratic consolidation and European rehabilitation, the application of these principles was attenuated through an admixture of economic intervention and regulation to safeguard the social and political legitimacy of Germany’s economic model. In turn, the country’s selective application of Ordoliberalism could also be seen to operate at the European level with respect to EU economic integration and governance. At one level, from the 1980’s on, German Ordoliberalism supplied the institutional scaffolding and policy framework underpinning the latter—most notably EMU. However, when the strict application of ordoliberal principles threatened the political legitimacy and institutional progress of European integration, they were selectively derogated from with German approval in order to safeguard the European project. Section two develops this argument in regard to the European debt crisis. Analyzing the member state bailouts from 2010 to 2012, the ECB’s sovereign debt buy-back programs, and European Banking Union, it shows how, in defense of its core national economic and political interests, the German government gave its imprimatur to policy solutions that were distinctly antithetical to ordoliberal principles, thereby occasioning the ire of the defenders of the latter. The third and final section considers the implications of this selective application of Ordoliberalism in response to the Eurozone crisis for German political leadership within the EU. Comparing Germany’s response to the crisis to previous instances of hegemonic leadership, the article assesses what this episode spells for the country’s self-perception as Europe’s “reluctant hegemon” even as it is drawn deeper into this role in the wake of the debt crisis.[[8]](#footnote-8)

*Ordoliberalism and the German National Interest*

As a starting point for this study, it is necessary to define the German national interest and specify the ideological and practical connection of Ordoliberalism to its advancement. As for any state, the German national interest presents economic and political dimensions. In both respects, this interest was formulated against the backdrop of the country’s traumatic experience of Nazism and World War II, and the distinct yet related imperatives of reconstruction and rehabilitation that confronted it after 1945. At the economic level, the imperative of rebuilding and recovery was predicated on the establishment of the export-led model of economic development that would underpin West Germany’s prodigious growth in the initial postwar decades. Politically, the country’s postwar national interest passed through democratization at home and reacceptance into the European fold abroad. These two objectives were connected. West Germany’s rapid domestic growth facilitated the country’s political rehabilitation within Europe. By elevating the country to the status of Europe’s leading economy, the economic boom presided by West Germany’s export-led model allowed it to take an increasingly central role in the governance of the nascent European Economic Community (EEC), foreshadowing the hegemonic position it would come to assume within the EU several decades later.

Thus, from the perspective of its national interest, West Germany’s export-led growth model and its structural and sectoral requirements took on a dual significance. The postwar German economic miracle with which it was synonymous became the functional *sine qua non* of Germany’s political rehabilitation and increasingly, from the 1990s on, of its dominance of the EU. Postwar West German leaders such as Konrad Adenauer and Ludwig Erhard, Willy Brandt and Helmut Schmidt, understood that West Germany’s economic recovery was the key to the country’s political normalization and empowerment within Europe. They calculated that as memories of the war receded and West Germany’s economic primacy in Western Europe increased, the country would come to assume an increasingly assertive role in continental affairs through the instances of European cooperation and integration.[[9]](#footnote-9) Thus, from both a domestic economic and international political perspective, safeguarding the function—and by extension, the principal sectoral agents and beneficiaries—of the export-led growth model became the paramount national concern for West German leaders.[[10]](#footnote-10)

Ordoliberalism was an integral ideological prerequisite for West Germany’s economic recovery and, by extension, political rehabilitation because it provided the institutional and policy framework underpinning the Federal Republic’s export-led growth model.[[11]](#footnote-11) No less importantly, it also offered a powerful conceptual and normative justification for the structural imbalances and social costs attaching to this model. However, in acknowledgement of these costs and imbalances German leaders selectively derogated from ordoliberal principles by combining them with socially stabilizing forms of economic intervention and regulation that attenuated the export-led model’s most deleterious effects.

In this respect, it is worth examining how Ordoliberalism related to West Germany’s economic performance and the manner in which it was mitigated by countervailing policies so as to safeguard the sociopolitical legitimacy of the country’s export-led growth model. At base, Ordoliberalism can be described as a rules-based authoritative—if not authoritarian—strain of neo-classical economic thought that seeks to employ the power of the state in order to maximize individual freedom, equated with competitive markets.[[12]](#footnote-12) Positing the latter as tools for reducing the power of special public and private interests over economic and social outcomes, Ordoliberalism called forth the establishment of a clear set of rules, a constitutionally reified ‘ordo’ that would underpin economic competition as guaranteed by the rule of law.

At a first level, this ordo sought to maximize economic competition by aligning the liability of market participants with the principle of responsibility or control, such that “those who stand to profit from a particular action should also bear the potential costs and risks” of that action.[[13]](#footnote-13) Surmised by the notion of ‘moral hazard,’ this principle implied that any attempt on the part of public or private actors to reduce their accountability for the economic risks that they took and to provide assistance with the aim of offsetting their losses would skew market incentives, thereby “producing an accumulation of unfulfillable expectations on behalf of the economic actors, and unfulfillable liabilities on the part of the government as the ultimate insurer.”[[14]](#footnote-14)In turn, this ordo sought to ensure a transparent price mechanism. In line with classical economics, in a market system in which the price-making influence of competitive actors is reduced to a minimum, prices are held to align the incentives of producers and consumers in such a way as to optimize the use of resources and maximize the output and consumption possibilities of society as a whole.[[15]](#footnote-15)

Policy-wise, enforcement of the liability principle and the establishment of a transparent price system depended on two key pillars. The first was a “quasi-religious fixation on balanced fiscal budgets” that reflected deep skepticism regarding the state’s capacity to efficiently oversee the economy by steering investment as well as employing macroeconomic and social policy in order to promote growth and ensure employment.[[16]](#footnote-16)Reflecting the tenets of classical liberalism, these goals were better realized by unfettered markets that most effectively coordinated the actions of private economic actors and thus ensured society’s maximal economic welfare.[[17]](#footnote-17) Second, the policy pendant to fiscal responsibility was the elevation of preserving price stability into the exclusive object of monetary policy. Implying in practice an asymmetric preference for deflation (i.e. for price rises lower than those considered by the central bank to be consistent with the economy’s productive capacity), price stability was regarded as the vital precondition for ensuring the economy’s medium- and long-term growth because it ensured the cost and price predictability required by firms to make their optimal production and hence investment and employment decisions.[[18]](#footnote-18)

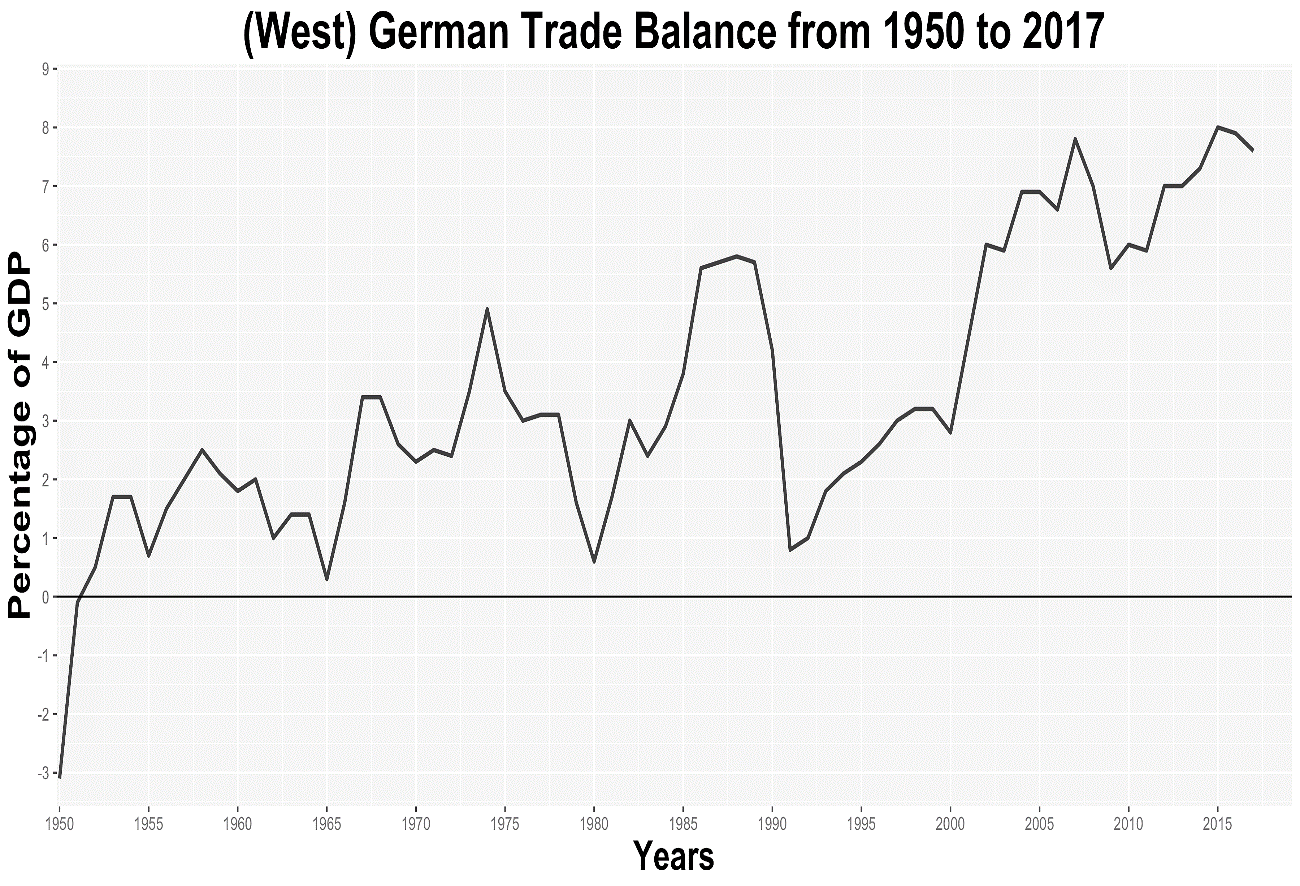
Institutionally, Ordoliberalism prescribed clear and authoritative guidelines that enshrined the state’s fundamental role in preserving the free market system and safeguarding these core principles—liability and control, transparent and efficient pricing, fiscal responsibility, monetary prudence—on which it was premised.[[19]](#footnote-19) This involved establishing a federal constitutional order which, by decentralizing the state’s competencies among its smaller constitutive units and granting them equal juridical status within the political and economic system, reduced the potential for abuses of power on the part of the central authority and in turn empowered markets as agents of economic and by extension political freedom. However, in order to reduce the risk of defection and free-riding, clear rules specifying the liabilities of the subunits vis-à-vis the center and institutions to enforce them were also created.[[20]](#footnote-20)

Secondly, in order to prevent the emergence of sectoral and corporative actors who stood to interfere with the free operation of markets for goods and vitiate the price mechanisms on which these depended, the state established independent policymaking and adjudicative bodies that enforced the liability principle and the transparent and competitive markets it implied. Paramount among these was the Bundesbank, which evolved an exclusive policy mandate to ensure price stability at the preclusion of all other considerations. By the same token, preservation of the liability principle was implicitly written into the charter of the German Federal Constitutional Court (GFCC), which defended the division of competences between federal and state governments under the auspices of federalism.[[21]](#footnote-21) These principles have been deeply internalized by German political and economic elites and public alike. As a number of commentators have observed, they became the basis for a broadly shared economic ‘sensibility’ that shaped both elite and public perceptions regarding economic matters as well as abiding support for the institutions charged with enforcing ordoliberal rules and principles.[[22]](#footnote-22)

These ordoliberal principles and the institutions and policies that enshrined them fit remarkably well with the functional requirements of West Germany’s export-led economic model. Their deflationary bias, combined with the scrupulous defense of market competition in order to optimize producer costs and consumer prices, helped keep real wage growth lower than productivity growth, thereby preserving the cost competitiveness of the country’s export manufactures. Correlatively, the restriction of domestic consumption prevented any general inflationary effect from raising production costs by increasing the price of labor and intermediate inputs while maximizing the domestic savings that could be reinvested into the export sector.

However, the sacrifice of domestic consumption and the mobilization of savings on which West Germany’s export-led model depended—and which ordoliberal institutions and policies rationalized—translated into serious internal and external economic imbalances. At the domestic level, the model translated into worsening social and sectoral inequalities by channeling the lion’s share of the country’s economic value-added to specific sectoral winners and producer groups at the expense of the rest of society. In particular, this model relied on the performance of certain key economic actors: first and foremost exports manufacturers, the outwardly oriented small and medium enterprises (SMEs) that constituted the backbone of the postwar West German economy;[[23]](#footnote-23) the financial firms, notably the publicly owned regional and municipal savings banks, or *Sparkassen*, that provided patient capital to these enterprises throughout the postwar period,[[24]](#footnote-24) and unionized workers in the tradeables sector who were able to secure advantageous collective agreements so long as export prices continued to outstrip labor costs.[[25]](#footnote-25)As intensifying competition and declining profit rates in global manufactures forced downward cost adjustments on German firms, resulting in ever-greater wage compression and falling internal consumption and demand, the country’s export-led growth model yielded worsening conditions of structural and economic dualism.[[26]](#footnote-26) By the same token, externally, this model generated increasingly large trade imbalances that threatened Europe’s financial stability and economic cohesion.[[27]](#footnote-27) (See Figure 1.) The surging trade deficit of the GIPS countries with Germany was largely financed by excess German savings in the form of outward portfolio investment, causing them to develop unsustainable asset bubbles that brought them to the brink of default in the European debt crisis.[[28]](#footnote-28)

**Figure 1**



Source: Author’s calculations based on Federal Republic of Germany: Federal Statistical Office (Destatis). “National Accounts: Gross Domestic Product, Gross National Income, National Income (Factor Costs)—Long Time Series since 1925” (Nov. 11, 2018): <https://www.destatis.de/EN/FactsFigures/NationalEconomyEnvironment/NationalAccounts/DomesticProduct/Tables/GrossDomesticProducSince1925_xls.html>, and “Foreign Trade: Overall Development in Foreign Trade since 1950” (Oct. 26, 2018): https://www.destatis.de/EN/FactsFigures/NationalEconomyEnvironment/ForeignTrade/Tables/OverallDevelopmentForeignTrade.pdf?\_\_blob=publicationFile.

These internal and external costs attaching to the German export-led growth model and the deflationary biases of the ordoliberal principles that underpinned it called for discretionary offsetting of the latter in order to preserve the social and political conditions of the model’s operation. Specifically, in situations where strict adherence to ordoliberal rules would have been prejudicial to the export-led growth model’s legitimacy, policy derogations from these principles were tolerated in order to safeguard the latter as well as the broader political economic system that had evolved around it.

This selective application of ordoliberal principles was a feature of West German economic policy from the start. First, the latter was combined with the features of Rhenish corporatism and of Bismarckian welfarism to supply the three institutional pillars undergirding West Germany’s *Modell Deutschland*. Corporatism and welfarism helped to dampen the deleterious social impacts of market competition so long as they did not threaten the cost competitiveness of the export-led growth model.[[29]](#footnote-29) In turn, when the West German economy suffered its first serious postwar downturn in 1966-67, Economics Minister Karl Schiller married Keynesian demand management to the orthodox policies of Ordoliberalism in order to expand the social base of those sharing in Germany’s postwar prosperity without putting the functional and structural requirements of its export-led model into question.[[30]](#footnote-30) Likewise, in 1990 and 1991, huge outlays flowed from West into East Germany—and a substantial ‘solidarity tax’ was introduced in the former to pay for them—in order to preserve the latter from economic collapse and help smooth its post-socialist transition.[[31]](#footnote-31) Finally, in 2008-9 the Merkel government embarked on the largest public spending program of the postwar era in order to bail out financial institutions that had been exposed to the subprime crisis and provide much-needed countercyclical demand stimulus in order to counter the crisis’ recessionary effects.[[32]](#footnote-32) As a result, the ensuing downturn in Germany was relatively shallow and short-lived compared to its European partners and the country was able to rapidly resume its orthodox monetary and fiscal policies so as to bolster its export base.

Last but not least, state intervention was sometimes undertaken to support ordoliberal reforms in other areas. For example, at the same time that the country was undergoing the painful Agenda 2010 structural reforms in the early 2000s, it sought to mitigate the socioeconomic impact of these reforms through increased social spending by violating the 3% deficit ceiling of the EU’s Stability and Growth Pact (SGP) from 2003 to 2005.[[33]](#footnote-33) Likewise, in 2015 the Merkel government introduced a national minimum wage of €8.50 an hour—a policy that was decried by ordoliberal economists for distorting the labor market—in order to reduce inequality.[[34]](#footnote-34) Such measures serve to illustrate how, in order to preserve the legitimacy of (West) Germany’s export-led growth model, German policymakers proved willing to discretionarily depart from the ordoliberal policy template with which that model was originally identified.

A similarly selective application of Ordoliberalism was also discernible in (West) Germany’s approach to European economic governance. Starting with the European Monetary System (EMS) in the late 1970s, German authorities, notably the Bundesbank, sought to impress on the new course of European economic integration—and specifically, monetary integration—an ordoliberal institutional and policy imprint.[[35]](#footnote-35) The adoption of a relatively narrow band of convertibility--+/- 2.25%--around a European Currency Unit that was anchored to the deutschmark under the EMS’s Exchange Rate Mechanism forced the other members of the system to replicate the anti-inflationary posture of West Germany’s central bank.[[36]](#footnote-36) By the same token, the liability principle was preserved as the Bundesbank prevailed over Chancellor Helmut Schmidt to ensure that the EMS not be underwritten by a common reserve so that the German central bank would not have to prop up weaker EMS currencies.[[37]](#footnote-37)

These ordoliberal principles were extended in the lead-up to EMU. In exchange for giving up its cherished currency, Germany insisted that explicit rules enshrining monetary and price stability, fiscal restraint and the liability principle be incorporated into the arrangement.[[38]](#footnote-38) Hence, the Maastricht criteria governing the convergence of national economies in preparation for EMU reflected the first condition by stipulating that they not run an inflation rate for the twelve months preceding entry into the euro that exceeded that of the lowest inflation state by more than 1.5% while maintaining a nominal long-term interest rate that did not exceed by 2% that of the average of the three best performing member states in terms of price stability; the second criterion by limiting member states’ public debt and budget deficit to 60% and 3% of GDP respectively, and the third by including a no-bailout clause that would preserve Eurozone members from having to rescue any fellow member which defaulted on its sovereign debt.[[39]](#footnote-39) These principles were to be upheld by an independent central bank, the ECB, which, modeled on the Bundesbank, was constitutionally bound to exclusively defend price stability. In turn, once the single currency was introduced in 1999, the criteria regarding fiscal prudence, the macroeconomic policy area that in theory remained the prerogative of the member states rather than the ECB, were enshrined in the SGP so that these states would not be tempted to return to their spendthrift ways once they had entered the euro.[[40]](#footnote-40)

Yet, as in the case of domestic policy, there were situations in which, so as to further the cause of (West) Germany’s European rehabilitation and, from the 1980s on, bolster its standing as the EU’s leading economic and political power, this general ordoliberal framework, and the deflationary fiscal and monetary rules it implied, were also either derogated from by German policymakers or combined with other more interventionist forms of economic stewardship and regulation. Specifically, derogations from the ordoliberal template were also envisaged in the cause of advancing West Germany’s political rehabilitation and notably its rapprochement with its European partners. Thus, the country’s entry into the European Coal and Steel Community (ECSC) in 1952 and the signature of the Rome Treaty that inaugurated the EEC in 1957 represented significant departures from ordoliberal orthodoxy that were accepted by West German leaders on the grounds that they advanced the country’s political rehabilitation—not to mention furnished it with a captive market for its manufacturing sector. Vitiating Ordoliberalism’s commitment to freely competitive markets, the ECSC created a European coal and steel consortium that “confine[d] itself,” in the words of one contemporaneous press report, “to regulating the output of steel for export and fixing minimum export prices.”[[41]](#footnote-41) Similarly, the EEC violated free trade principles through its establishment of a customs area defined by a common external tariff. Meanwhile, the inclusion of a skein of internal subsidies and protections, most notably its Common Agricultural Policy, could also only be regarded as market vitiating.[[42]](#footnote-42)

One sees the same logic at work following German reunification in 1990, when the Federal Republic agreed to enter the euro in order to help allay the fears that were resurrected, particularly among the French and British, by the prospective resurgence of an economically and politically preponderant Germany at Europe’s core. Indeed, despite its ordoliberal characteristics, it is worth remembering that EMU was initially a political decision that was taken at Mitterrand’s behest in order to tether a united Germany to its European partners so that it could never become an independent source of mischief on the continent again.Kohl welcomed this arrangement in the face of opposition from a number of ordoliberal authorities and interests, the Bundesbank in the lead, who worried that joining the single currency would weaken Germany’s export competitiveness while leaving it exposed to the fiscal irresponsibility and monetary indiscipline of its future partners in EMU, particularly in the EU’s southern periphery.[[43]](#footnote-43)

*Selective Ordoliberalism in the Eurozone Crisis*

We see a similar dialectic between ordoliberal prescriptions and selective derogation from them in the context of Germany’s approach to the Eurozone debt crisis. At a first level, the ordoliberal principles underpinning the euro and the institutions, notably the ECB and European Commission, charged with their enforcement were strengthened in the wake of the Eurozone crisis that broke out in early 2010 and ultimately required bailouts for Greece (2010, 2012, 2015), Ireland (2010), Portugal (2011), Spain (2012), and Cyprus (2013). In exchange for providing funds to enable these countries to continue servicing their national debts and hence avert defaults that would threaten the euro’s systemic integrity, first through ad hoc disbursement mechanisms, the European Financial Stability Facility (EFSF) and European Financial Stabilization Mechanism (EFSM), and then a permanent agency, the European Stability Mechanism (ESM), the EU imposed draconian austerity-cum-structural reform programs on the violating states in order to reduce their fiscal profligacy and eliminate social and regulatory blockages within their economies. Locking in this austerity-cum-reform formula, the SGP was considerably strengthened through various supervisory and sanctioning mechanisms, including the Six Pack (March 2011), the Two Pack (November 2011), and the Fiscal Compact (March 2012).[[44]](#footnote-44)

Underscoring their ordoliberal tenor, the rules for enforcing the SGP were substantively reinforced in order to ensure the fiscal profligacy that was viewed in Germany to be at the root of the GIPS countries’ troubles would be definitively curtailed once the macroeconomic stability required to sustain their growth was restored. Meanwhile, in order to strengthen the liability principle that had been violated in the aforementioned bailouts, the German government rejected the European Commission’s Eurobond proposal in November 2011,[[45]](#footnote-45) vetoed the establishment of a commonly financed default backstop—the joint deposit guarantee scheme—while introducing strict “bail-in” clauses for creditors in case of default under European Banking Union (EBU) in December 2013,[[46]](#footnote-46) and ruled out the creation of a European fiscal union that would subordinate member states’ tax systems to a centralized EU budget.[[47]](#footnote-47) These measures continue to be viewed with deep skepticism by elites and public alike in Germany, where they are seen to enable moral hazard while rendering German taxpayers disproportionately liable for the financial misdeeds of others.[[48]](#footnote-48) In short, the Eurozone crisis led German politicians, opinion makers and voters to reassert their ordoliberal values and impose rules-based solutions to the crisis that strengthened the existing rules of European governance by focusing on the chief ordoliberal preoccupations of coordinating liability and control, reducing moral hazard, and ensuring the conditions for macroeconomic fiscal and monetary stability underpinning market efficiency.

However, when faced with the systemic threat of European economic and political breakdown, Germany acted in a decidedly anti-ordoliberal fashion in certain policy areas at the same time that it pursued ordoliberal solutions in others, while hewing to a broadly ordoliberal reading of the Eurozone crisis. Such derogations from ordoliberal principles could be seen in the three principal policy responses that were adopted to resolve the crisis: the bailouts of Eurozone members threatened with default; the ECB’s sovereign debt support and buy-back programs, and EBU.

If we begin by considering the bailouts that were agreed with the German government’s support for Greece (followed by subsequent bailouts in 2012 and 2015) and Ireland in 2010, Portugal in 2011, and Spain in the summer of 2012, and effected first through the EFSF/EFSM and from September 2012 on the ESM, we see that these were enacted in violation of Ordoliberalism’s liability principle. The justification was that inaction would have provoked the default of these member states on their sovereign debt obligations, thereby sparking a dynamic of contagion that would have spread from the smaller peripheral economies of Greece, Ireland and Portugal to the larger ones of Spain, Italy and even France. Should these countries have defaulted on their national debts, this would have precipitated the Eurozone’s collapse.[[49]](#footnote-49)

Despite the chorus of disapproval from ordoliberal economists and opinion makers at home, the German government did not want to take the blame for provoking the latter. This calculus reflected not only a political but an economic rationale: no country in the Eurozone has benefited as much from the common currency as Germany, the underpricing of the euro compared to the deutschmark providing a boon to exports that, when combined with its far-reaching domestic structural reforms, enabled it to develop unprecedented current account surpluses from the early 2000s on.[[50]](#footnote-50)Similarly, politically, Germany’s disproportionate influence over the design of the euro and its governance coincided with the country’s economic resurgence to transform it into the continent’s dominant political voice. In such circumstances, it could not allow the euro to fail.

A similar logic underlies the two other European measures that were introduced to staunch the crisis, ECB interventions in the sovereign debt markets and EBU. Ditching its single-minded focus on maintaining price stability, beginning with the Greek debt crisis in May 2010 the ECB launched its Securities Market Program (SMP) to buy and sell government bonds in secondary markets and issue bonds in both primary and secondary markets.[[51]](#footnote-51) It went further in this direction in December 2011 when it established the Long-Term Financing Operations (LTFO) program that supplied Eurozone banks with as much three-year euro funding through auction as they bid for in a move to reassure investors regarding the capacity of peripheral country banks to cover their debts.[[52]](#footnote-52) Finally, as market jitters spread to Spain and Italy in the spring and summer of 2012 and yields on their bonds spiked in August 2012, the ECB abandoned all pretense of monetary prudence and launched its Outright Monetary Transaction (OMT) program in replacement of the SMP in order to shore up the GIPS country economies whose collective default would have spelled the end of the euro. Signifying to the markets ECB President Mario Draghi’s determination “to do whatever it takes to save the euro,” the OMT program’s announcement calmed European financial markets and from thereon in, save a fleeting moment in summer 2015 when Greece’s newly elected Syriza government threatened to renege on previous bailout agreements, the prospect of the single currency’s collapse was definitively forestalled.[[53]](#footnote-53)

Once again, despite fierce criticism from ordoliberal economists and the tabloid press, the German government went along with these measures for the reasons of national economic and political interest that were set out above.[[54]](#footnote-54) Although these ECB programs came with the usual ordoliberal provisos enjoining beneficiary states to pursue fiscal consolidation-cum-structural reforms, they represented the European equivalent of the large-scale quantitative easing strategy that had been pursued by the US Federal Reserve since late 2008.[[55]](#footnote-55) In the eyes of ordoliberal critics, these programs thus signaled “the expropriation of German savers vis-à-vis zero interest rates.”[[56]](#footnote-56)

The third and final triptych in the EU’s institutional policy response to the Eurozone crisis was the EBU, which was agreed in spring 2014 after much wrangling among the member states, European Commission, ECB and European Parliament. It presented the following features: a common ‘rulebook’ harmonizing regulatory standards in the financial sector; a Single Supervisory Mechanism (SSM) establishing joint banking supervision for the Eurozone and other willing EU member states; a Single Resolution Mechanism (SRM) to restructure or resolve failing banks through a mutually constituted Single Resolution Fund (SRF), and provisions for a joint deposit guarantee scheme based on the harmonization of national regulatory frameworks.[[57]](#footnote-57)Though considerably watered down in order to allay German concerns, notably through its lack of a centralized deposit scheme and financial backstop as well as the provision of strong ‘bail-in’ provisions rendering failing banks’ creditors responsible for their obligations before gaining access to SRF monies,[[58]](#footnote-58) EBU was nevertheless seen as a gross violation of the liability principle in ordoliberal circles. On the grounds that providing potential bailouts to failing banks would effectively discharge them from responsibility for their liabilities, many ordoliberals thought that this was a recipe for encouraging moral hazard and prompting a return to the same profligate behavior that had landed the peripheral countries in trouble in the first place.[[59]](#footnote-59) Accordingly, the German government’s decision to sign up to EBU, even after pushing for its significant dilution, could be interpreted as a politically expedient derogation from ordoliberal principles in order to safeguard Germany’s broader European interests.

By the same token, it is also possible to detect the influence of more parochial economic interests behind these actions, specifically that of financial interests connected to Germany’s export-led growth model. First among these were proprietary and to a lesser extent consumer banks, which have been the primary guarantors and mobilizers of the glut of German savings generated by the latter. These banks, at the same time that they had overleveraged themselves in the 2008-9 subprime crisis,[[60]](#footnote-60) also severely overexposed themselves within the peripheral Eurozone countries during the period preceding the euro’s introduction in January 1999 (2001 in Greece) in anticipation of the convergence of national interest rates around the ECB’s baseline rate. Offering French and German institutions golden opportunities for profit-maximizing interest arbitrage, the spread between the low rates in the core Eurozone countries and the comparatively high rates in the periphery fueled a massive asset bubble within the GIPS countries that set the stage for the debt crisis.[[61]](#footnote-61)

Specifically, on the eve of the Greek crisis during the third quarter of 2009, German banks found themselves exposed to colossal liabilities throughout the Eurozone’s periphery. After French institutions, which held liabilities totaling nearly €824 billion in the GIPS countries, German banks presented the second highest amount of exposure at €733.4 billion.[[62]](#footnote-62) This meant that they too ran the risk of incurring irretrievable losses should Greece—as ordoliberal critics of bailouts advocated—have been allowed to default on its debt and financial contagion to spread to other peripheral countries where their liabilities were greatest.[[63]](#footnote-63) From this standpoint, then, the GIPS country bailouts allowed primarily German and French banks to expunge the bad loans they had amassed in the late 1990s, early 2000s from their books and to transfer liability for the latter to the IMF and the EU, notably through the EFSF/EFSM and then the ESM, as well as the ECB. In turn, by attaching draconian ‘austerity-cum-reform’ conditions to these assistance programs, the German government effectively shifted the costs of German banks’ over-lending within the periphery to the populations of the debtor states. Thus, the country spared itself another round of politically contentious domestic bank bailouts that would have to be borne by German taxpayers themselves.[[64]](#footnote-64)

In short, as Helen Thompson has written, the peripheral countries’ bailouts gave the German government the chance to “Europeanize the problems of the German banking sector” by perpetrating in Mark Blyth’s apt phrase a momentous “bait-and-switch” whereby the liabilities incurred by French and German banks within the GIPS states could be transposed wholesale to the latter under the false pretext (with the partial exception of Greece) that they had overspent themselves into this situation.[[65]](#footnote-65) Accordingly, by the fourth quarter of 2012, after bailouts had been successively accorded to Greece, Ireland, Portugal, Greece again and Spain, the claims on German banks had fallen by 51% from €733.4 billion in the third quarter of 2009 to €358.5 billion (versus 38% for French banks, from €824 billion in third quarter 2009 to €508.9 billion in fourth quarter 2012.)[[66]](#footnote-66) Their exposure was reduced with German banks taking little losses, since the Private Sector Involvement Mechanism that approved creditor and bondholder losses under the future ESM was only to apply to new government bonds that were issued after 2013, i.e. after the GIPS bailouts had been approved.[[67]](#footnote-67)

The story does not end there, however. The ECB’s government debt buy-back program and EBU also directly and indirectly benefited the German banks, first by facilitating the removal of GIPS countries’ debt from their books, second by enhancing their market positions vis-à-vis their European competitors. The SMP and LTFO mechanisms by which the ECB provided liquidity to support the purchase of at-risk peripheral government debt effectively enabled banks in the Eurozone periphery to buy their national bonds held by German institutions at a discount. Since the subsidiaries of German banks within the periphery were also eligible to secure LTFO funding, this generated a repatriation of capital from the periphery to the core of the Eurozone and, by 2012, significant capital flows back into Germany.[[68]](#footnote-68)

This reversal of capital flows accelerated under EBU. The strong ‘bail-in’ provisions incorporated into the agreement, combined with its relatively weak and unwieldy resolution and financing mechanisms, caused already nervous savers within the GIPS countries to eschew saving opportunities at home and instead place their money in more secure financial institutions within the Eurozone’s core. Thus, according to Thomas Fazi, EBU drove a growing “centralization” of capital in the core countries, notably Germany. By depriving them of investment to grow their economies, this dynamic of capital centralization was seen to contribute to a gradual “mezzogornification” of the GIPS countries that was “likely to exacerbate, rather than reduce, core-periphery imbalances.”[[69]](#footnote-69)

At a second level, though ostensibly undertaken in the name of Europe in general and to save the euro in particular, these arrangements, particularly EBU, were specifically crafted at German insistence to minimize their impact on the *Sparkassen*, which were viewed as the financial bedrock of the country’s SME-based export sector. Accordingly, a more restricted banking union was introduced that limited direct SSM and ECB supervision of the European financial sector to only 120 systemically important—i.e. internationalized—banks which accounted for 85% of the Eurozone’s financial assets. Although collectively the more than 420 *Sparkassen* accounted for roughly one trillion euros under management, 38% of total bank lending in Germany and 37% of deposits, only one of their number qualified for direct EU supervision under EBU.[[70]](#footnote-70)This was in marked contrast to functionally similar institutions elsewhere in the EU, such as the Spanish *cajas* or Italian cooperative banks, which universally fell under the mandate of SSM and ECB supervision.[[71]](#footnote-71) Subject within Germany to sector-mandated self-regulation rather than federal administrative oversight, the exemption of the *Sparkassen* from direct SSM and ECB supervision meant that they could continue to fulfill their traditional capital-provisioning function under Germany’s export-led growth model as they had always done. Despite the fact that the softer capital-raising conditions afforded these banks under the asymmetric regulatory ambit of EBU might, particularly in the current expansionary cycle, become a source of systemic risk both for Germany and the broader Eurozone à la 1980s US savings and loans crisis, German officials resolutely refused to approve EBU without first exempting the *Sparkassen* from supranational supervision.[[72]](#footnote-72)As one European banking expert observed: “The result can readily be seen: the German *Sparkassen* can continue to benefit from softer capital requirements and from an exclusively domestic vigilance. It’s an explosive mix that could eventually lead to a banking crisis.”[[73]](#footnote-73)

Accordingly, then, as was the case throughout the postwar period, the Eurozone crisis presents clear instances where Germany deviated from the ordoliberal rulebook in order to secure its higher political and economic interests. One might say that in the circumstances, such a course was inevitable since the strict formal rules laid out by Ordoliberalism for managing the economy under normal circumstances could only invite their violation when an unforeseen systemic crisis rendered economic conditions abnormal.[[74]](#footnote-74) Yet, this alone is insufficient to account for Germany’s policy course. In a situation where ordoliberal assumptions about the economy no longer held and the derivative rules consequently no longer applied, the clearest factor dictating Germany’s—and by extension, the EU’s—response was securing the country’s economic and political interests, specifically by preserving its export-led economic model and safeguarding its political primacy within Europe.

*Conclusion: The Prospects for German Leadership in Europe after the Eurozone Crisis*

Such naked assertions of German economic and political self-interest within the EU have opened the country to charges of hypocrisy from its European partners on the grounds that Germany violated as it deemed necessary the very ordoliberal principles which it was demanding be unconditionally enforced elsewhere across the Eurozone. As Wade Jacoby has put it, evoking a phrase coined by Charles de Gaulle to chastise the hypocrisies of American hegemonic leadership under Bretton Woods, Germany was claiming the “exorbitant privilege” of derogating from the rules and spirit underlying European economic governance that it had first and foremost insisted be put into place. As such, it was behaving as do all hegemonic powers in such circumstances, arrogating for itself the special privileges that come with its dominance and control.[[75]](#footnote-75)

Yet, by the same token, if the latter is compelled to act in this way, it may also be because it feels that the economic and political costs of European governance are no longer worth it. Liberal interdependence projections of benign hegemony notwithstanding, the fact is a hegemonic power will assume the charge of maintaining a global or regional order so long as it remains in its interests to do so. This means that even should it act for the general welfare and use its power to underwrite a system of transnational governance that is broadly regarded as desirable by its participant, the hegemon does so not out of altruism but a.) because such an arrangement is of disproportional benefit to it compared to the other members of the system and b.) the benefits of overseeing and enforcing this system outweigh the costs. Among the German elite and electorate, there was quasi-unanimity of support for the European project and for Germany’s leadership of that project. The 2010 crisis and its aftermath have shaken that certainty. Today, substantial elite and popular actors, including many ordoliberals, have begun to question whether the costs of Germany’s European hegemonic vocation are worth it.

In a groundbreaking article from 1976, Stephen Krasner attributed the lags between a hegemonic power’s objective economic decline and its preservation of an open global economy beyond this decline to the enduring political influence of powerful pro-free trade sectoral interests within it.[[76]](#footnote-76) His analysis drew an important distinction between the domestic economic system and associated interests that underlay the hegemon’s power and its transnational exercise of that power in an increasingly fraught international environment. In the German case, we can see that up until the Eurozone crisis such domestic economic and transnational political interests largely worked in the same direction, with the export-led growth model undergirding Germany’s postwar recovery and rehabilitation and then, following its imposition of a ‘hard’ euro based on ordoliberal principles, fostering the largest current account surpluses of the postwar era. For most Germans, these surpluses were empirical confirmation of this model’s economic and political legitimacy. Yet the political tensions provoked by the debt crisis, notably the deep divisions it has provoked between northern and southern Europe or, to use the language of the historical structuralists, the Eurozone’s core and periphery, raised serious questions regarding Germany’s stewardship of Europe and generated calls for it to embrace its hegemonic responsibility to reform European economic governance for the benefit of all.[[77]](#footnote-77) Such calls, usually emanating from heterodox advocates of a more flexible and discretionary approach to European governance, argue that Germany needs to underwrite a common mutualization mechanism—such as Eurobonds—that will eliminate the possibility of sovereign debt arbitrage as a precursor to moving towards full European fiscal—and hence political—union.[[78]](#footnote-78) Correlatively, domestically, these recommendations pass through Germany ditching the deflationary monetary and fiscal policy consensus underpinning its export-led growth model and applying its considerable savings to boosting aggregate demand both through increased national investment and consumption.[[79]](#footnote-79)

Apart from establishing a universal minimum wage, German elites have largely ignored this admonition. The Grand Coalition agreement of March 2018 between the CDU/CSU and SPD, though paying lip service to the ideal of European solidarity, remains excessively vague in terms of defining its constituent parties’ actual commitments. Nowhere did it envision the creation of a European debt mutualization instrument or a centralized or even unified fiscal policy. Instead, the GroKo agreement reaffirmed that the SGP serve as the guiding framework for European fiscal governance and called for the transformation of the ESM into a European Monetary Fund subject to European parliamentary control and enshrined in EU law.[[80]](#footnote-80) Likewise, on domestic taxation and expenditures, the advocates of reflationary demand management have been disappointed as the new coalition pledged to continue to balance the budget and not take on any new debt. Granted, as a concession to the SPD, Merkel’s CDU consented to earmark the country’s €46 billion surplus for social and infrastructure spending, with €12 billion supporting families and children and €4 billion for new housing, but this seems a trifling amount for a €15 trillion economy like Germany.[[81]](#footnote-81) These prudential orientations were broadly shared across the political spectrum, with only Die Linke embracing the kind of aggressive state spending envisaged by Germany’s heterodox critics to reverse the deflationary bias inherent in its economy.[[82]](#footnote-82) In short, a broad ideational and policy consensus behind sustaining the primacy of Germany’s export-led economic model seems to span the breadth of elite and popular opinion in Germany, rendering its proximate abandonment extremely unlikely.

Heterodox analysts’ protestations notwithstanding, this is not surprising. What hegemonic power in history has voluntarily abandoned the economic model underlying its political dominance—especially at the behest of weaker states in the system over which it precedes? Specifically, in what instance has this happened when the hegemon’s economy was domestically seen, despite its flaws, to be working for its people? As Wolfgang Streeck has observed, the heterodox critique ignores the central empirical fact that, on its own ordoliberal terms, the German economy is “today doing better than it has done for thirty years, with balanced budgets, zero inflation, and government deleveraging.”[[83]](#footnote-83) In such a context, it is far-fetched to expect Germany’s democratically elected government to willingly sacrifice the national competitiveness bestowed on the country’s economy by EMU in order to reduce the balance-of-payments imbalances at the root of the Eurozone’s problems. Instead, for reasons of domestic political consensus and national self-interest, Germany is likely to continue to try to muddle through in the aftermath of the Eurozone crisis by combining ad hoc interventions to stave off direct and urgent threats to the euro while attempting to structurally transform the Eurozone into a continental deflationary and export-competitive incarnation of itself.[[84]](#footnote-84)

That such a strategy is fraught with political peril, not least because it invites a political backlash against the Federal Republic and EU on the part of GIPS countries forced to submit to German-imposed internal deflation, should be obvious. However, it also indicates that the country is determined to preserve its export-led growth model, and the policy and institutional articulations of the latter, even at the cost of European disharmony or potential fragmentation. To use Streeck’s phrase, Germany appears set on a position of “buying time” in order to give itself the discretionary room to maneuver to be able to drive the EU’s economic transformation in its own image and failing that, to preserve the economic and political advantages conferred upon it by its export-led model in a post-EU world.[[85]](#footnote-85) Any serious reading of other hegemonic states’ past experiences suggests that far from representing an irrational aberration, such a course seems reasonable from the perspective of the German national interest and as such, merits being judged not as an inane outlier but a sensible alternative for the country to pursue in the wake of the Eurozone crisis and beyond.

1. C.f. Thorsten Beck and Hans-Helmut Kotz, eds. *Ordoliberalism: A German Oddity?* (Brussels: CEPR Press, 2017); Markus Brunnermaier, Harold James and Jean-Pierre Landau, *The Euro Crisis and the Battle of Economic Ideas* (Princeton, NJ: Princeton University Press, 2016), and George Bratsiotis and David Cobham, eds. *German Macro: How It’s Different and Why That Matters* (Brussels: European Policy Center, 2016). [↑](#footnote-ref-1)
2. C.f. Ivo Maes, “On the Origins of the Franco-German EMU Controversies,” *European Journal of Law and Economics* 17(1)(2004), 24-6, 34-5, and Charles Wyplosz, “The Euro and Ordoliberalism,” in T. Beck and H.-H. Kotz, eds., *Ordoliberalism: A German Oddity?*, 149-50. Although VoC theorists maintain that it was the institutionalization of cost-competitive wage agreements and quality-competitive upskilling agreements under the country’s neo-corporatist industrial relations system that underpinned its postwar economic success, it must be remembered that such agreements were, at least from the late 1950s on, concluded within the constraints (with the possible exception of Karl Schiller’s tenure as Economics Minister from 1966 to 1972, when neo-Keynesian demand management was temporarily adopted in the Federal Republic) of the prudential inflationary and later monetary targets set by the country’s formal and informal economic policy-setting bodies such as the Bundesbank, the Council of Economic Advisors, and German Federal Constitutional Court (GFCC). See Kathleen Thelen, “Varieties of Labor Politics in the Developed Democracies,” in Peter Hall and David Soskice, eds. *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (New York: Oxford University Press, 2001), 82-5; Wolfgang Streeck and Anke Hassel, “The Crumbling Pillars of Social Partnership,” *West European Politics* 26(4)(2003), 102-4, and Peter Hall, “The Fate of the German Model,” in Brigitte Unger, ed. *The German Model Seen by its Neighbors* (Brussels: Social Europe, 2015), 45-9. [↑](#footnote-ref-2)
3. For analyses of the extension of German ordoliberal institutions of monetary and by implication, wage and fiscal policy coordination in order to underpin EMU—and the ensuing economic imbalances and tensions this generated within Europe—from a VoC perspective, see respectively Martin Rhodes, Bob Hancké, and Mark Thatcher, “Introduction: Beyond Varieties of Capitalism,” and Peter Hall, “The Evolution of Varieties of Capitalism in Europe,” in M. Rhodes et al., eds., *Beyond Varieties of Capitalism: Conflict, Contradictions, and Complementarities in the European Economy* (New York: Oxford University Press, 2007), Chs. 1-2; Anke Hassel, “Adjustments in the Eurozone: Varieties of Capitalism and the Crisis in Southern Europe,” *LSE ‘Europe in Question’ Discussion Paper Series* No. 74(May 2014): <http://www.lse.ac.uk/europeanInstitute/LEQS%20Discussion%20Paper%20Series/LEQSPaper76.pdf>; Peter Hall, “Varieties of Capitalism and the Euro Crisis,” *West European Politics* 37(6)(2014), 1223-243, and “Varieties of Capitalism in Light of the Euro Crisis,” *Journal of European Public Policy* 25(1)(2017), 7-30, and Alison Johnston and Aidan Regan, “Introduction: Is the European Union Capable of Integrating Different Models of Capitalism?” *New Political Economy* 23(2)(2017), 145-59. [↑](#footnote-ref-3)
4. Reflecting these principles, the Bundesbank and GFCC publicly opposed the national bailouts of crisis-stricken Eurozone states from 2010 to 2012 and the financial mechanisms—the European Financial Stability Facility (EFSF) and European Stability Mechanism (ESM)—that were created to finance and oversee them, as well as the sovereign debt buy-back programs that were pursued by the ECB over this period, culminating in the Outright Monetary Transactions (OMT) program which was announced in August 2012 authorizing the purchase of government bonds from indebted peripheral countries by the ECB in secondary markets. For example, when, following the Greek and Irish bailouts in May and November 2010, the ECB agreed a new bailout for Portugal in April 2011, Axel Weber, Bundesbank President and chief German economist of the ECB resigned on the grounds that the latter violated the Maastricht Treaty’s “no-bailout clause.” In turn, Weber’s successor as Bundesbank President Jens Wiedemann was the sole member of the ECB’s 23-member board to vote against the OMT program in September 2012. For its part, though it upheld the constitutionality of the Greek bailout in September 2011, the GFCC insisted that the Bundestag retain sovereign control over the German budget and thus have a greater say in future bailouts. In turn, in September 2012, the Court provisionally capped Germany’s contribution to the European Stability Mechanism at €190 billion unless the Bundstag agreed to increase this amount, a limit which was definitively confirmed in March 2014. Finally, in June 2013, the GFCC held hearings that challenged the constitutionality of the ECB’s OMT program, with Bundesbank President Jens Weidmann testifying in support of the plaintiffs. See Bridgette Young, “German Ordoliberalism as Agenda Setter for the Euro Crisis: Myth Trumps Reality,” *Journal of Contemporary European Studies* 22(3)(2014), p. 4, and Helen Thompson, “Germany and the Euro-Zone Crisis: The European Reformation of the Banking Crisis and the Future of the Euro,” *New Political Economy* 20(6)(2015), 855-56. [↑](#footnote-ref-4)
5. Brunnermaier et al.; Matthias Matthijs and Kathleen McNamara, “The Euro Crisis’ Theory Effect: Northern Saints, Southern Sinners and the Demise of the Eurobond,” *Journal of European Integration* 37(2)(2015), 229-245; Mark Blyth, *Austerity: The History of a Bad Idea* (New York: Oxford University Press, 2013), and Sebastian Dullien and Ulrike Guérot, “The Long Shadow of Ordoliberalism: Germany’s Approach to the Euro Crisis,” *European Council on Foreign Relations: Policy Brief* No. 49 (Feb. 2012): <https://www.ecfr.eu/page/-/ECFR49_GERMANY_BRIEF.pdf>. [↑](#footnote-ref-5)
6. This view has notably been expressed by the president of the Ifo Institute for Economic Research and arguably the *doyen* of the country’s intellectually dominant cohort of ordoliberal economists, Hans-Werner Sinn. Sinn has unfailingly condemned the three broad strategies pursued by the EU in order to resolve the European debt crisis and stabilize the euro—the national bailouts of the GIPS countries and the financial mechanisms that were created to underwrite them, the ECB’s sovereign debt buy-back programs, and the European Banking Union (EBU)—on the grounds that these violated Ordoliberalism’s central liability principle and would make German taxpayers disproportionately chargeable for the fiscal profligacy and monetary imprudence of the GIPS states. Accordingly, testifying before the GFCC in July 2012 regarding the constitutionality of German participation in the ESM, Sinn notoriously referred to the latter as a “bottomless pit” and “machinery of asset destruction.” Similarly, he qualified the ECB’s GIPS government-bond buyback programs as a “stealth bailout” which would leave the German “taypayer on the hook” for the GIPS countries’ fiscal irresponsibility and failure to structurally reform their economies. And last but not least, Sinn warned that EBU “would open the floodgates to socialize banking debts in the Euro zone.” All told, Sinn estimated that the total liabilities accruing to Germany as a result of these mechanisms amounted to some €800 billion, leading him to conclude that “the euro system is in the midst of an explosion” which, left unchecked, posed a grievous threat to the German economy. *Spiegel* [online], “Professor Propaganda: Is German Economist Exacerbating Euro Crisis?” (Part I), July 17, 2012: <http://www.spiegel.de/international/business/hans-werner-sinn-s-simplistic-euro-crisis-theories-divide-german-economists-a-844590.html> , 1-2, and “Professor Propaganda: Is German Economist Exacerbating Euro Crisis?” (Part II), July 17, 2012: http://www.spiegel.de/international/business/hans-werner-sinn-s-simplistic-euro-crisis-theories-divide-german-economists-a-844590-2.html, p. 2; Hans-Werner Sinn, “The ECB’s Stealth Bailout,” *Vox. CEPR Policy Portal*,June 1, 2011: <https://voxeu.org/article/ecb-s-stealth-bailout>, and Sinn, “Why the Taxpayer is on the Hook,” *Vox. CEPR Policy Portal*, Feb. 24, 2015: <https://voxeu.org/article/why-taxpayer-hook> ,and Young, p. 5. [↑](#footnote-ref-6)
7. Matthijs and McNamara. [↑](#footnote-ref-7)
8. C.f. William Paterson, “The Reluctant Hegemon? Germany Moves Centre Stage in the EU,” *Journal of Common Market Studies* 49(Supplement 1)(2011), 57-75. [↑](#footnote-ref-8)
9. Maes, p. 26. [↑](#footnote-ref-9)
10. Some authors have contested the claim that Germany pursued an export-led model during the initial postwar decades by claiming that from the 1950s through the 1970s, its exports were essentially offset by its imports. (See, for example, Lucio Baccaro and Jonas Pontusson, “Rethinking Comparative Political Economy: The Growth Model Perspective,” *Politics and Society* 44(2)(2016), 175-207.) This argument is belied by the data, however, which show that starting in the early 1950s, Germany’s exports increasingly outstripped its imports, rising from an average of 1% for 1950-59, to 1.9% for 1960-69, and 3% for 1970-79. Though Germany’s trade surplus expanded more rapidly beginning in the 1980s (averaging 3.7% for the decade) as a function of greater European economic integration before shrinking again in the 1990s (2.4%), the policy conditions underlying this outcome were cultivated in the Federal Republic from its inception. Distilled in their most recent incarnation in the Agenda 2010 reforms, it was these conditions which, when combined with EMU, caused the German trade surplus to explode in the 2000s (6%) and 2010s (7.2% from 2011 to 2017.) On West Germany’s cultivation of an export-led economic model from the 1950s on, see Joseph Markus, “Some Observations on the German Trade Surplus,” *Oxford Economic Papers* (New Series) 17(1)(1965), 136-46, and Ludger Lindlar and Carl-Ludwig Holtfrerich, “Geography, Exchange Rates and Trade Structures: German’s Export Performance since the 1950s,” *European Review of Economic History* 1(2)(1997), 217-46. On the explosion of the German trade surplus since the mid-2000s in particular, see Figure 1 below. [↑](#footnote-ref-10)
11. In particular, it did so by laying the bases for effective price competition between firms through its anti-monopolist cartel policy as well by providing the foundation for monetary stability through its inspiration of a macroeconomic policy setting independent central bank. However, as we shall see, Ordoliberal was less successful, at least in the initial postwar decades, in creating an unfettered labor market free from the interference of price-vitiating labor unions or employer federations as well as preventing the establishment of a labor market-distorting and fiscally burdensome welfare state. See Hans Günter Hockerts, *Der deutscher Sozialstaat: Entfaltung und Gefährdung seit 1945* (Göttingen: Vandenhoek and Ruprecht, 2012), and Werner Abelshauser, *The Dynamics of German Industry: Germany’s Path toward the New Economy and the American Challenge* (New York: Berghahn, 2005). [↑](#footnote-ref-11)
12. Thorsten Beck and Hans-Helmut Kotz, “Introduction,” in Beck and Kotz, eds., *Ordoliberalism*: *A German Oddity?*,11-24, and WernerBonefeld, “Authoritarian Liberalism: from Schmitt via Ordoliberalism to the Euro,” *Critical Sociology* 43(4-5)(2017), 747-61. [↑](#footnote-ref-12)
13. Lars Feld, Ekkehard Köhler and Daniel Nientiedt, “The ‘Dark Ages of German Macroeconomics’ and Other Alleged Shortfalls in German Economic Thought,” in Beck and Kotz, eds. *Ordoliberalism: A German Oddity?*, p. 43. [↑](#footnote-ref-13)
14. Harold James, “Rule Germania,” in Beck and Kotz, eds. *Ordoliberalism: A German Oddity?*, p. 26. [↑](#footnote-ref-14)
15. Feld *et al*., 44-45. [↑](#footnote-ref-15)
16. Peter Bofinger, “German Macroeconomics: The Long Shadow of Walter Eucken,” in G. Bratsiotis and D. Cobham, eds. *German Macro: How It’s Different and Why That Matters*, 8-9. [↑](#footnote-ref-16)
17. Josef Hien, “The Ordoliberalism that Never Was,” *Comparative Political Theory* 12(4)(2013), p. 350. [↑](#footnote-ref-17)
18. Bofinger, p. 9 [↑](#footnote-ref-18)
19. Brigitte Young, “Ordoliberalism as an ‘Irritating German Idea,” in Beck and Kotz, eds. *Ordoliberalism: A German Oddity?*, 31-40, and Bonefeld. [↑](#footnote-ref-19)
20. James, p. 27. This argument relating federalism to freer trade and greater economic competition was first formulated by Friedrich von Hayek in “The Economic Conditions of Interstate Federalism,” *New Commonwealth Quarterly* 5(2)(1939), 131-49. [↑](#footnote-ref-20)
21. Young 2017, 34-5 and Young 2014, p. 3. [↑](#footnote-ref-21)
22. Jonathan White, “Between Rules and Discretion: Thoughts on Ordo-Liberalism,” *LEQS Paper. LSE ‘Europe in Question’ Discussion Paper Series* No. 126 (November 2017), 15, and Blyth, 100. This conceptual quasi-monopoly enjoyed by Ordoliberalism is reflected in the near total absence of Keynesian economists in Germany from the technocratic bodies and policy networks in which economists operate. Likewise, the quasi-universal ordoliberal policy consensus that has crystallized among the principal political parties in Germany—with the notable exception of the leftist Die Linke—also speaks to the conceptual primacy of ordoliberal institutions and ideological carriers in framing the terms of the contemporary German economic—and by extension political—debate. See Dullien and Guérot “The Long Shadow of Ordoliberalism”, 2, 5-9; Jörg Bibow, “How Germany’s Anti-Keynesianism Has Brought Europe to its Knees,” *Working Paper: Levy Economics Institute of Bard College*. No. 886 (March 2017), p. 9; Matthijs and McNamara 2015; Young 2014, p. 4, and Blyth, p. 61. [↑](#footnote-ref-22)
23. Bibow, p. 27. [↑](#footnote-ref-23)
24. David Schäfer, “A Banking Union of Ideas? The Impact of Ordoliberalism and the Vicious Circle on European Banking Union,” *Journal of Common Market Studies* 54(4)(2016), p. 963. [↑](#footnote-ref-24)
25. Anke Hassel, “The Paradox of Liberalization: Understanding Dualism and the Recovery of the German Political Economy,” *British Journal of Industrial Relations* 52(1)(2014), 57-81. [↑](#footnote-ref-25)
26. Ibid. and Robert Brenner, *The Economics of Global Turbulence: The Advanced Capitalist Economies from Long Boom to Long Downturn, 1945-2000* (London: Verso, 2006), 179-96, 229-36. Attesting to this worsening economic dualism, a recent study by the German Institute for Economic Research found that the 45 richest households in Germany owned as much wealth as the bottom half of the national population in 2014 while the wealthiest 5% owned 51.1% of the country’s total wealth, the top 1% a third of it, the top 0.1% 17.4%, and the top 0.001—i.e. only 400 households—4.7%--i.e., over twice as much as the 20 million families that make up the poorer half of German society and account for only 2.3% of the country’s total wealth. See Stefan Bach, Andreas Thiemann, and Aline Zucco, “Looking for the Missing Rich: Tracing the Top Tail of the Wealth Distribution,” *Deutsches Institut für Wirtschaftsforschung: Discussion Papers* No. 1717 (2018):

    <https://www.diw.de/documents/publikationen/73/diw_01.c.575768.de/dp1717.pdf>. [↑](#footnote-ref-26)
27. Testifying to the magnitude of these external imbalances, the German current account surplus peaked at over 8% of GDP in 2016, with 50% of this growth accounted for by exports within the EU. See Wade Jacoby, “Surplus Germany,” *Transatlantic Academy: Paper Series* No. 8 (May 2017): http://www.gmfus.org/publications/surplus-germany, 3, 9. [↑](#footnote-ref-27)
28. Ibid., 9, 15-7. [↑](#footnote-ref-28)
29. Hien, 352-55. These offsetting elements of what VoC theorists have termed West Germany’s postwar coordinated market economy in turn testify to the competing sociocultural strains of economic and social thought that were rooted in the country’s dual religious identity. On the one hand, Ordoliberalism is grounded in Protestant notions of individual freedom and responsibility which, in an argument first traceable to Max Weber, were seen to underlie the values of fair competition, thrift, and responsibility for liability that formed the normative and cultural correlates of ordoliberal doctrine. Conversely, Social Catholic thought emphasizing the collective values of social harmony, fairness and charity could be seen to provide the normative-cultural foundations for postwar West Germany’s regulatory institutions of corporatism, codetermination and welfarism. On the distinctive religious underpinnings of the ordoliberal versus corporatist and welfarist facets of the (West) German social market economy, see Philip Manow, *Religion und Sozialstaat: Die konfessionellen Grundlagen europäischer Wohlfahrsstaatsregime* (Frankfurt: Campas Erlag, 2008), Ch. 4, and “Modell Deutschland as an Interdenominational Compromise,” *Minda de Gunzburg Center for European Studies at Harvard University Program for the Study of Germany and Europe: Working Paper*. No. 3 (2000): <https://sites.fas.harvard.edu/~ces/publications/docs/pdfs/Manow.pdf>. [↑](#footnote-ref-29)
30. Feld *et al*., p. 44, and Bibow, p. 17. [↑](#footnote-ref-30)
31. Abraham Newman, “The Reluctant Leader: Germany’s Euro Experience and the Long Shadow of Reunification,” in Matthias Matthijs and Mark Blyth, eds., *The Future of the Euro* (New York: Oxford University Press, 2015), 117-135. [↑](#footnote-ref-31)
32. Thorsten Beck and Hans-Helmut Kotz, “Banking Union: Rules Versus Discretion?” in Beck and Kotz, eds. *Ordoliberalism: A German Oddity?,* p.110, and Feld *et al.*, p. 45. [↑](#footnote-ref-32)
33. Young 2014, p. 9. [↑](#footnote-ref-33)
34. Oliver Bruttel, Arne Baumann and Matthias Dütsch, “The New German Statutory Minimum Wage in Comparative Perspective: Employment Effects and Other Channels,” *European Journal of Industrial Relations* 24(2)(2018), 145-162. [↑](#footnote-ref-34)
35. Some analysts have brought into question the ordoliberal tenor of the latest stage of European economic integration starting in the second half of the 1980s with the Single European Act of 1986, arguing that the latter, particularly in respect to the European Commission’s framing of the competition policy underlying the liberalization of the trade in goods and services under the European single market, owed more to Anglo-Saxon neoliberal ideas than German Ordoliberalism. (C.f. Angela Wigger, “Debunking the Myth of the Ordo-Liberal Influence on Post-war European Integration,” in Josef Hien and Christian Joerges, eds. *Ordoliberalism, Law and the Rule of Economics* (Oxford: Hart, 2017), Ch. 10, as well as Josef Hien and Christian Joerges, “Dead Man Walking: Current European Interest in the Ordoliberal Tradition,” *EUI Working Papers: Department of Law* No. 3 (2018.)) Notwithstanding the fact that Neoliberalism and Ordoliberalism converge in their theoretical embrace of free trade and unfettered market competition, the Delors Commission’s conviction that the Single Market could only be optimized if it were underpinned by a common currency in turn meant that, as we shall see below, ordoliberal principles remained central to this phase of EU economic and by extension political integration in so far as they underpinned the macroeconomic criteria and policy institutions governing EMU. [↑](#footnote-ref-35)
36. Bibow, p. 22. [↑](#footnote-ref-36)
37. Feld *et al*., 44-5. [↑](#footnote-ref-37)
38. Wyplosz, 149-50, and Bibow, 27-9. [↑](#footnote-ref-38)
39. Maes, p. 35. [↑](#footnote-ref-39)
40. C.f. Wyplosz. [↑](#footnote-ref-40)
41. *Economic Weekly*, “The European Steel Cartel,” March 20, 1954, p. 331. [↑](#footnote-ref-41)
42. Reflecting these concerns, Ludwig Erhard, Adenauer’s Economics Minister (and later the Federal Republic’s second Chancellor), initially opposed West Germany’s entry into the EEC. Maes, p. 26. [↑](#footnote-ref-42)
43. Femke Van Esch, “Why Germany Wanted EMU: The Role of Helmut Kohl’s Belief System and the Fall of the Berlin Wall.” *German Politics* 21(1)(2012), 34-52, and Maes, 34-5. [↑](#footnote-ref-43)
44. The key provisions of these measures included a balanced-budget rule stipulating that a country not accumulate a structural deficit in excess of 0.5% of GDP for states with a debt-to-GDP ratio of over 60% and of 1% for those with debt levels within the 60% limit as well as the institutionalization of a debt-brake rule calling on governments that exceeded the 60% debt-to-GDP ceiling to reduce their excess debt by 20% a year until the limit was attained. Under the Fiscal Compact, these provisions were to be enshrined in Eurozone members’ national law no more than one year after the treaty entered into force. Correspondingly, a European Semester was established in order to provide a framework for coordinating these austerity-cum-structural reform programs with the aim of advancing economic and fiscal cooperation among Eurozone members. See Vivian Schmidt, “Forgotten Democratic Legitimacy: ‘Governing by the Rules’ and ‘Ruling by the Numbers’” in M. Matthijs and M. Blyth, eds., *The Future of the Euro*, 90-114. [↑](#footnote-ref-44)
45. Matthijs and McNamara. [↑](#footnote-ref-45)
46. Beck and Kotz 2017b, 111; Feld *et al.,* 45-6, and David Howarth and Lucia Quaglia, “The Steep Road to European Banking Union: Concentrating the Single Resolution Mechanism,” *Journal of Common Market Studies* 52 (SI)(2014), 125-140. [↑](#footnote-ref-46)
47. Feld *et al.*, p. 46. [↑](#footnote-ref-47)
48. Matthijs and McNamara; Schäfer, p. 963 and Young 2014, p. 3. [↑](#footnote-ref-48)
49. Accordingly, Greece received an assistance package of €110 billion in 2010, followed by another of €164 billion in 2012 and a further €87 billion in 2015; Ireland received €85 billion in 2010 and Portugal €78 billion in 2011. Finally, Spain received €100 billion in 2012. [↑](#footnote-ref-49)
50. Jacoby, 9, 12, and Figure 1. [↑](#footnote-ref-50)
51. Thompson, p. 855. [↑](#footnote-ref-51)
52. Ibid. [↑](#footnote-ref-52)
53. Ibid. [↑](#footnote-ref-53)
54. Ibid., p. 856. [↑](#footnote-ref-54)
55. Ibid. [↑](#footnote-ref-55)
56. Adalbert Winkler, “Ordoliberalism, Post-Crisis Monetary Policy and the German ‘Angst’” in Beck and Kotz, eds. *Ordoliberalism: A German Oddity?*, p. 91. [↑](#footnote-ref-56)
57. Schäfer, p. 961. [↑](#footnote-ref-57)
58. Apart from these two provisos, under German pressure the SRF was limited to a relatively low cap of €55 billion and was to be constituted solely of supervised bank contributions, with the stipulation that any funding beyond this cap be provided by the member states themselves; the restriction of the SSM to 120 systemically important banks in the Eurozone, thereby excluding the vast majority of German banks, in particular the *Sparkassen*, which were less internationally exposed than their counterparts in other countries; the increased regulatory autonomy of the SRM from the ECB and Commission, which were granted only observer status in EU-level banking regulation unless the SRM failed to take action, and the subjection of SRM decisions to approval by the European Council. For many observers the complexity of the mechanism, its decentralization and multiple veto points, as well as lack of financial firepower undermined the EBU’s capacity to eliminate the sovereign debt-bank “doomsday” loop that had threatened to break up the Eurozone when the debt crisis materialized in spring 2010. See Schäfer and Howarth and Quaglia. [↑](#footnote-ref-58)
59. Young 2014, p. 3. [↑](#footnote-ref-59)
60. Underscoring the German banking sector’s exposure to toxic subprime assets, the government was forced to establish a €480 billion federal bank rescue fund to keep overexposed banks solvent in response to the 2007-8 crisis, followed by the passage of a law in summer 2009 authorizing solvent institutions to shift toxic assets to bad banks and reduce their capital requirements so that they could begin lending again. By February 2009, it was estimated that the cost of German financial stabilization amounted to 3.1% of the country’s GDP, compared to 1.8% in France and 0.9% in Italy. See Thompson, p. 858. [↑](#footnote-ref-60)
61. Jacoby, p. 17, and Blyth, 62-3. [↑](#footnote-ref-61)
62. Thompson, p. 857. [↑](#footnote-ref-62)
63. German bank exposure was highest in Spain (€240.3 billion), Italy (€209.3 billion) and Ireland (€193.3). This compared to €172.8 billion, €484.1 billion (!) and €52.1 billion for French banks in these countries, respectively. Ibid. [↑](#footnote-ref-63)
64. Underscoring this point, Yanis Varoufakis has calculated that as of January 2015, 89% of the bailout money authorized by the Troika for Greece had gone to debt repayment, interest repayment and bank restructuring. Only 11% had gone to cover the Greek state’s operating costs and outlays. Cited in Sol Trumbo Vila and Matthijs Peters, “The Bail-Out Business: Who Profits from Bank Rescues in the EU?” *Transnational Institute: Issue Brief* (February 2017): <https://www.tni.org/files/publication-downloads/tni_bail_out_eng_online0317.pdf> , p. 11. [↑](#footnote-ref-64)
65. Thompson, 858-59, and Blyth, p. 73. [↑](#footnote-ref-65)
66. Thompson, p. 859. [↑](#footnote-ref-66)
67. A partial exception was the ‘bail-in’ provision that was incorporated into the second Greek bailout negotiated in October 2011 and approved in February 2012, which would have made creditors and bondholders liable for losses incurred through the restructuring of the Greek debt. However, by the first quarter of 2012 German banks had dramatically reduced their exposure to Greece, going from holding €43.2 billion of Greek bonds in the third quarter of 2009 to €18.6 billion in third quarter 2011 to only €6.3 billion in first quarter 2012, when the second bailout package was formally approved. Ibid., 860-61. [↑](#footnote-ref-67)
68. Ibid., p. 861. [↑](#footnote-ref-68)
69. “The EU’s Banking Union: A Recipe for Disaster,” *openDemocracy* (Feb. 4, 2016): <https://www.opendemocracy.net/can-europe-make-it/thomas-fazi/eus-banking-union-recipe-for-disaster>, p. 6. [↑](#footnote-ref-69)
70. Howarth and Quaglia. p. 131. [↑](#footnote-ref-70)
71. Schäfer, p. 967, and Vladimiro Giacché,“The Real Cause of the Italian Banking Bailouts and Euro Banking Troubles,” *Institute for New Economic Thinking* (July 19, 2017): <https://www.ineteconomics.org/perspectives/blog/the-real-cause-of-the-italian-bank-bailouts-and-euro-banking-troubles>, p. 3. [↑](#footnote-ref-71)
72. Giacché, 3-4, and Howarth and Quaglia, p. 132. [↑](#footnote-ref-72)
73. Giacché, p. 4. [↑](#footnote-ref-73)
74. White. [↑](#footnote-ref-74)
75. From the 1960s through the 1980s, the United States routinely acted in such a discretionary manner as a function of what it saw as its rightful “peace dividend” for underwriting European security within the bipolar Cold War order. In the 1960s the US regularly violated the terms of Bretton Woods by exceeding the dollar supplies it was allowed to issue in conformity with the dollar-to-gold peg, thereby effectively exporting inflation to the other countries in the system so that the latter could be maintained at $35 per ounce of gold. In the 1970s, the US exploited the dollar’s undervaluation and de facto reserve currency status following the abandonment of Bretton Woods by undercutting its partners in international markets while exporting inflation and currency instability to them. Finally, in the early 1980s, the US continued to take advantage of the dollar’s reserve currency status by starving its partners of capital through monetarist interest rate hikes combined with massive deficitary spending, forcing European states to raise their own interest rates and further deflate their economies in the midst of the recession triggered by the second oil shock. It was only once the asset bubble provoked by excessive capital imports became unmanageable, first in the savings and loan bank crisis of 1985 and then the Wall Street crash of October 1987, that the Reagan Administration accepted the need for international currency coordination under the 1985 Plaza and 1987 Louvre Accords. See Barry Eichengreen, *Globalizing Capital: A History of the International Monetary System* (Princeton NJ: Princeton University Press, 1999), Chs. 5-6. [↑](#footnote-ref-75)
76. Stephen Krasner, “State Power and the Structure of International Trade,” *World Politics* 28(3)(1976), 317-347. [↑](#footnote-ref-76)
77. C.f. Mark Blyth and Matthias Matthijs, “The World Waits for Germany,” *Foreign Affairs* [online] (June 8, 2012): <https://www.foreignaffairs.com/articles/europe/2012-06-08/world-waits-germany>. [↑](#footnote-ref-77)
78. Matthijs and McNamara, and Matthias Matthijs, and Mark Blyth, “Introduction: The Future of the Euro and the Politics of Embedded Currency Areas,” in Matthijs and Blyth, eds. *The Future of the Euro*, 1-17. [↑](#footnote-ref-78)
79. Jacoby, 22-4. [↑](#footnote-ref-79)
80. Deutsche Bank Research, “Groko Coalition Treaty. More Spending than Strategy.” *Germany Monitor* (Feb. 18, 2018): <https://www.dbresearch.com/PROD/RPS_EN-PROD/PROD0000000000461637/Groko_coalition_treaty%3A_More_spending_than_strateg.pdf>, 3-4 [↑](#footnote-ref-80)
81. *Financial Times* [online], “Germany’s Grand Coalition Deal: the Main Points.” (Feb. 7, 2018): <https://www.ft.com/content/4ea6986a-0c35-11e8-839d-41ca06376bf2>. [↑](#footnote-ref-81)
82. In this respect, it is worth remembering that the Eurosceptic and national populist Alternative für Deutschland, though buoyed by the 2015-16 European migrant crisis, was originally founded by ordoliberal economists who advocated leaving the euro in response to the liability risks it posed to German taxpayers. See Newman, p. 132, and Dullien and Guérot, p. 7. [↑](#footnote-ref-82)
83. “Book Review: Playing Catch Up,” *London Review of Books* 39(9)(2017), p. 28. [↑](#footnote-ref-83)
84. This European economic policy objective is suggested by the fact that, since the outbreak of the European debt crisis in 2010 and the imposition at Germany’s behest of deflationary austerity-cum-structural reform programs on the indebted Eurozone member states, the latter as a whole have gone from roughly being in trade balance with the rest of the world before the crisis to running a current account surplus of nearly 3.4% with the rest of the world in 2017. More broadly, while in 2007 20 of the 28 EU member states presented current account deficits, with seven of these constituting over 12% of GDP, by 2016 20 of these states were running current account surpluses. And of the eight remaining deficitary states, five of these presented current account deficits of less than 1%. See Jacoby, 9-10, 20. [↑](#footnote-ref-84)
85. *Buying Time: The Delayed Crisis of Democratic Capitalism* [↑](#footnote-ref-85)