GREEK DEBATE

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21.04.10

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By: Henrik Enderlein
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How should the Eurozone handle

25.06.2010

SUFFOCATING EUROPE

By: Jörg Bibow

A grand idea has gained currency among Germany's political elite: Germany must no longer be too shy to set its own national interest ahead of the European project. The chauvinism behind it is so modestly camouflaged that the Bild-Zeitung is having a ball in thrashing it onto the common man in ways that has no parallels in democratic Germany. What are they thinking, if they are thinking at all? Were Adenauer, Schmidt and Kohl really traitors who sold out on Germany’s national interests? Today, Germany once again thinks it knows what is best for itself. Unilateralism is back, setting out to conquer Europe by economic storm. Take it or leave it, Europe! Germany’s political leadership will soon have to answer what spooked their minds in believing that suffocating Europe might be in Germany’s national interest. For suffocating Europe is precisely what Germany set out to do in its new-found egomania. At this weekend’s G-20 summit meeting Germany will try to defend its

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16.03.2011
By: Satyajit Das

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By: Wolfgang Münchau
16.02.10

polity of unconditional austerity to the rest of the world. At home the Merkel government hammered out an austerity deal dreamed of as making compliance with the constitutional balanced-budget rule come true; budget cuts no matter what as far as the eye can reach. This will boost confidence and thereby the recovery, we are made to believe. Europe should follow Germany’s unilateral move and sign up to constitutional balanced-budget rules. At the very least Europe needs a new “Stability and Growth Pact” with real bite, profligacy and German taxpayer-sponsored bailouts must end here and now.

Germany never believed in fiscal stimulus anyway. Only when exports were falling off the cliff did Germany reluctantly agree to contribute to the EU and globally-coordinated crisis response. The Bundesbank president recently declared that a mistake. Apparently, the stimulus package has caused the budgetary troubles of today.

Pronouncements like these will be widely believed. As the stupefying effects of decades of Bundesbank indoctrination have left a wasteland in public understanding of matters of economics. As soon as the ECB took some trivial amounts of government bonds off the market to counter contagious market...
stresses that had been
tiggered by Germany's inept
handling of what was
originally a local issue, did
the Frankfurter Allgemeine
Zeitung declare that
hyperinflation was just
around the corner. Those
bonds, of course, were mainly
Greek of origin, and Greece
has come to crystallize
anti-European sentiment in
Germany as no other. Things
will hardly get any better now
that Germans will taste
austerity at home only
shortly after "bailing out the
lazy Greek"; or so they think.
Mised by their egomaniac
political leadership and
unspeakably irresponsible
journalism, Germans feel
duped by their European
partners. Nothing could be
further from the truth.
Germany has itself to blame
for the wreckage caused at
home, just as it will have
itself to blame once the
European wreckage in the
name of German national
interest is complete.
The real irony in this German
tragedy is that German
beggar-thy-neighbor policies
have effectively forced a
fiscal union upon Europe. Or,
rather, if not a fiscal union, a
genral default it will be. The
point is that Germany's
notorious trade surpluses
vis-à-vis its European
partners must by necessity
have a financial counterpart.
In one way or another,
German banks financed the
country's export successes by
lending to today's crisis
countries. They did so as willing borrowers were hard to come by at home when the country - duped by its own political leadership and powerful export lobby - prescribed itself a decade of belt-tightening, flat real wages, and flat consumption growth, that is. Public celebration of repeated wins of the world export championship title made the duped Germans even feel good about it. Once credit markets stop lending, trade surpluses cannot continue either. A creditor country government may then realize that it might want to step in instead. For if it does not, its intra-area trade surpluses will have to evaporate over night, while its banks will face corresponding writedowns on debtor country debts. The German taxpayer is not bailing out Greece but German banks, while lending new money to make those export surpluses continue. Repayment of those debts would only be possible if competitiveness positions and intra-regional trade imbalances were reversed at some point. For that to happen, Germans would need to re-learn appreciating wage increases and consumption growth, including long vacations in Greece and Spain, rather than fasting on vain championship titles and mindless austerity. Not even nominal wages are rising any more though. And
the German government has bravely declared that German competitiveness must not be compromised by adjustment in Europe. This can only imply one of two things. Either Germany will have to continue lending which, by forcing bankruptcy upon its debtors at some point, must turn into fiscal transfers eventually. Or, much of the rest of Europe must embark on restoring competitiveness and resolving intra-regional imbalances through wage-price deflation. Likely outcomes range from stagnation to outright debt deflation. Continent-wide austerity can only raise the burden of debt. And nothing of this is in Germany’s national interest for sure.


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