



Discussion Papers in Business and Economics

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Discussion Paper No 10
October 2014

Herausgeber/Editor:
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Marquardstraße 35
36039 Fulda
Deutschland/Germany
www.hs-fulda.de/wirtschaft

ISSN: 2194-7309

GERMANY AND THE EUROZONE CRISIS: EVIDENCE FOR THE COUNTRY'S 'NORMALISATION'?

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Abstract

This article looks critically at the explanation provided by the so-called 'normalisation' literature for Germany's apparent reluctance and closefisted approach to the Eurozone crisis. In contrast to the 'normalisation' argument which attributes the handling of the crisis to a more self-interested and assertive stance in Germany's European policy, this paper emphasizes the role of economic ideas as an explanatory factor. Based on the economic school of ordoliberalism in Germany, the crisis is perceived of as a debt and institutional crisis rather than a financial crisis, as suggested by 'normalisation' proponents. Consequently, a profound long-term solution is thought to require policies of debt reduction and supply-side reform as well as amendments to Eurozone institutions. In addition, unconditional financial bail-outs are deemed inadequate to fight the source of the crisis. While the 'normalisation' literature stresses change in Germany's approach to European integration relative to the early 1990s, the view outlined here suggests that there is a significant degree of continuity with the founding period of the European Economic and Monetary Union. Both then and now, Germany is primarily concerned with sound money, fiscal discipline and the institutional set-up of the Eurozone, all based on principles derived from ordoliberal economic thinking.

INTRODUCTION

Since the beginning of the Eurozone crisis in 2009/10, Germany's European policy has been the subject of numerous political and academic debates. The interest in Germany is, first of all, due to the fact that it is the largest and financially strongest economy in the European Union (EU). Thus, by virtue of its size and solvency the country plays a key role in funding bail-out packages for countries in trouble, such as the European Stability Mechanism, the Eurozone's newly established permanent rescue scheme. Similarly, political action, let alone institutional reform in the EU are not conceivable without endorsement from the 'regional hegemon in Europe'.¹ Beyond that, and more importantly for the argument produced in this paper, debates have arisen both domestically and internationally in regard to Germany's way of dealing with the crisis. Thus, the conservative-liberal government (2009-2013) has been heavily criticised by other European governments, financial market actors, the media and academics alike². In essence, these criticisms focus on the country's slow reaction to the crisis and that it continuously delayed agreement on the rescue packages, thereby making them more expensive. Even though its export industry and banks have benefited hugely from the Euro, the Federal Republic is said to have refused to assume responsibility for the macroeconomic imbalances in the Eurozone which are at the heart of the crisis. What is more, the country, it is argued, shows little solidarity with its Eurozone partners in trouble. In a nutshell, the prime concern is Germany's supposedly more selfish behaviour and the manner in which it exercises power rather than the very fact that the country takes 'centre stage'³ in resolving the current calamity.

This analysis of the Eurozone crisis coincides with a broader argument amongst scholars concerning Germany's foreign and security policy.⁴ The question is whether and to what extent unified and sovereign Germany has given up its exceptional role as a 'tamed', 'normative' or 'civilian power' of the pre-unification years in order to turn into a 'normal' power; i.e. a country more interested in traditional power politics rather than 'concerned with the peaceful advance of multilateral networks of governance'⁵. With respect to the European level, observers of 'normalisation' have witnessed a shift of Germany's commitment to EU integration. While the country acted as a staunch supporter of ever increasing Europeanisation between World War II and the mid-1990s, it is said to have changed, over the last 15 to 20 years, to become a more 'normal' member state: one that is concerned with national sovereignty and driven by narrowly defined self-interest, much like

the other big member states such as France and the United Kingdom.⁶ From this perspective, Germany's policies during the current Eurozone crisis are further evidence of the country's 'normalised' behaviour.

Against this background, this paper examines Germany's handling of the current crisis in Europe. The intention is not to assess the country's strategy or its policy proposals from a normative standpoint pertaining to their supremacy or adequacy for crisis solution. Rather, the aim is to explore the country's rationale for pursuing its specific approach; and whether this is rooted in 'normalisation' and thus substantially different from what would be expected from the enthusiastic pro-EU Germany that is said to have existed until the mid-1990s. The key argument is that the 'normalisation' explanation underestimates the role of economic beliefs held amongst political decision-makers in Germany when it diagnoses change in the country's EU policies. It implicitly presupposes a Keynesian view of the crisis as a financial crisis, while it largely neglects Germany's economic tradition of *ordoliberalism* in elucidating the country's behaviour. Following the *ordoliberal* line of argument, the current predicament is not primarily perceived of as a failure of financial markets but a debt crisis of some member states and a failure of Eurozone institutions. This interpretation leads to a specific set of remedies which are thought to be in the long-term interest of the Eurozone, while they might appear stingy and self-interested from a 'normalisation' perspective. Thus, depending on the theoretical perspective taken, the country's displayed policy is interpreted as a change towards the 'normal' (from the 'normalisation' perspective informed by Keynesianism) or a sign of continuity with the principles of *ordoliberalism* and the country's focus on the EU's institutional milieu (from the *ordoliberal* perspective predominant in Germany).

The paper proceeds as follows: in the next section, the 'normalisation' argument is delineated more generally and subsequently applied to the specific case of the current Euro crunch. Two key criticisms of Germany's policy approach are outlined and linked to the allegedly more self-interested motivation. The following section then deals with the *ordoliberal* appraisal of recent events and its significance for policymakers' crisis responses. The last section addresses the question of change in Germany's European policy and discusses whether the handling of the Euro crisis provides evidence for the 'normalisation' perspective.

THE 'NORMALISATION' ARGUMENT

The 'normalisation' thesis is based on the idea that (West) Germany played a special, i.e. abnormal, role in international affairs until the mid-1990s. After military and political defeat in two world wars and with the experience of division, the Federal Republic abstained from traditional power politics and emerged as a civilian power which 'favours diplomacy over force and nurtures mutual interdependence in preference to dominance and national self-interest'.⁷ Katzenstein, for instance, deemed Germany distinct from other countries in that it was a 'tamed power' whose 'political leaders exercise power only in multilateral, institutionally mediated systems'.⁸ This was especially evident in the realm of European integration where Germany, unlike other big member states, acted as a 'reflexive' – rather than an 'instrumental – multilateralist'.⁹ Whilst the latter pursues national interest if possible within the EU framework and if necessary at the expense of it, Germany as a reflexive multilateralist perceived European unity as a byword for its own interests. Despite the country's growing economic strength, its European diplomacy engaged in soft power, characterised by a 'culture of restraint', a strong commitment to EU institutions and the use of fiscal means to facilitate compromise.¹⁰ According to Bulmer, Jeffrey and Paterson, the main policy aims consisted in shaping the regional milieu, i.e. the building of European institutions.¹¹ Within the EU, the Federal Republic 'assumed the role of a bridge and broker – between big and small countries, between the national governments and the EU's Brussels institutions, between Gaullist France and Atlanticist Britain'.¹²

The apogee of Germany's European orientation, and thus its 'anomaly', occurred in the early 1990s, after the fall of the Berlin Wall.¹³ Counter-intuitively, the enlarged and fully sovereign country did not use its apparently increased power to pursue its self-interest unilaterally, but it remained 'decidedly multilateralist, oriented towards institution building, and aimed at reassuring allies and partners. Germany was accumulating trust, not power'.¹⁴ In the European arena, the Kohl government engaged in promoting EU integration rather than acting alone, e.g. by 'co-initiating' the Economic and Monetary Union (EMU). This helped to bind in Germany and allay its European partners' fears that an enlarged Germany might give up on the European project and become too dominant.¹⁵ While monetary integration resulted in a more Europeanised Germany, it also made the EU more German through the uploading of 'German models of governance to the European level'.¹⁶ The prime

examples are the independent central bank, the ultimate goal of price stability and fiscal discipline, all of which emulate the German monetary and fiscal constitution.

However, since the mid-1990s scholars have observed a change in Germany's foreign and European policies described as 'normalisation' and characterised by a 'rebalancing away from indirect institutional power to the hard bargaining of agent power'.¹⁷ In EU affairs, Germany's approach has become more instrumental: 'more Europe is no longer automatically desirable'¹⁸ but subject to German national interests. Jeffrey discerns 'a more protectionist Germany' with a 'much stronger notion of using Europe for specific national ends which is replacing the notion that national and European ends were one and the same'.¹⁹ According to Hellmann, Germany has gained self-confidence and with it a 'sharpened awareness of power and status'.²⁰ Examples regularly given include Germany's forceful conduct during the EU budget negotiations in 1999/2000, the breach of the Stability and Growth Pact alongside France in 2002/2003 and the Nord Stream pipeline deal with Russia, without properly consulting EU partners. In addition, it is underlined that political rhetoric has altered from pro-European narratives, common under Chancellors Schmidt and Kohl, to ones that emphasise national interest.²¹ In summary, Bulmer and Paterson conclude that 'twenty years after unification, [...] Germany has become a normalised member state in the EU.'²²

Several factors explain Germany's noted transformation towards the 'normal': on the one hand, the external environment, i.e. the geopolitical set-up has changed dramatically since the end of the Cold War.²³ Multilateral institutions such as NATO are less important for Germany's security than they used to be for West Germany in the bi-polar world. At the same time, the EU has deepened and enlarged substantially, leading to a 'shrinking core' and an 'expanding periphery', consequently making Germany's traditional multilateral approach in close alliance with France less viable.²⁴

On the other hand, and key to the argument here, the Federal Republic has transformed internally.²⁵ With the defeat of Chancellor Kohl in the 1998 federal elections, a new generation of leaders assumed office that has no immediate war experience. Oppermann argues that decision-makers in Germany have adopted a new national role conception, one that no longer accentuates civilian power but increasingly conceptualises Germany as a 'normal country'.²⁶ Accordingly, the reasons for more Europe have altered from 'a matter of war and peace' to a question of 'costs and benefits'²⁷. In addition, the

formerly high level of public enthusiasm for European integration has subsided, and converged towards the lower European average. One reason put forward for this cooling-down effect is unification:²⁸ for one, approximately 17 million East Germans who are historically less attached to European integration than their western counterparts became part of the Federal Republic's electorate. For another, the economy lost momentum after decades of economic dynamism, exacerbated by unification. This has made taxpayers more reluctant to transfer funds to the EU, thus rendering the country's traditional cheque-book diplomacy of facilitating compromise through side payments less acceptable. Beyond that, other developments in Germany have been put forward as reasons for the changed domestic conditions in European policy-making, such as the increased role of Länder governments in European policy, the somewhat EU-critical rulings of the Federal Constitutional Court on the Treaties of Maastricht and Lisbon, the increased role of the Bundestag and the fraying of the pro-European party consensus, to name the most important.²⁹

GERMANY AND THE EUROZONE CRISIS: THE 'NORMALISATION' VIEW

To many commentators, Germany's policy in the current Eurozone crisis provides further evidence for the country's 'normalisation'.³⁰ Indeed, criticisms of Germany's behaviour are regularly linked to a more assertive demeanour and the pursuit of a narrowly defined national interest that disregards European concerns. Bulmer and Paterson as well as Oppermann use the crisis policy as explicit case studies to illustrate Germany's normalised behaviour.³¹ In what follows, these criticisms will be briefly summarised in two key arguments: the first one focuses on Germany's reluctance to provide funds on a scale deemed necessary to contain, if not solve the crisis, which were expected by many other Europeans. The second argument gives further justification for demands on Germany in that it looks at the country's role as 'originator' of the macroeconomic imbalances in Europe and the benefits it received from the Euro.

Germany is responsible for precipitating and aggravating the Eurozone crisis because it does 'too little, too late'.

According to this argument, investors would have considered neither Greece's persistent and well-known fiscal mess nor the data falsification scandal in 2009 sufficient to shy away

from Greek bonds. This is because they expected 'that countries [...] would be bailed out if they ran into difficulties',³² notwithstanding the codification of a 'no-bail-out clause' in the European treaties in 1992 (Art. 125 AEUV), which explicitly negates shared responsibility for other country's debt. Hence, if the Eurozone partners and especially Germany had declared their commitment to support Greece in a timely and decisive way, thereby confirming the investors' working hypothesis, the country would probably not have lost access to private capital, and the crisis could have been contained.³³ Instead, the German Chancellor drew public attention to the no-bail-out rule ('Rules have to be followed'), thus disclaiming German responsibility for Greek sovereign debt ('Greece must accept its responsibility for reform').³⁴ According to Jones, these statements triggered and aggravated the Eurozone crisis: 'By refusing to back Greece, however, Merkel created uncertainty and scared off investors. [...] More importantly, she helped nurture a wider crisis of confidence in both sovereign-debt markets and in the Euro itself'.³⁵

Even though eventually in March 2010 Germany accepted the need for financial aid to Greece and (later) other Euro countries, the government is blamed for its failure to assume leadership.³⁶ Rather than easing capital markets via proactive initiatives, the German government protracted negotiations. For example, Chancellor Merkel insisted on strict conditionality in the rescue packages at the March 2010 European summit:³⁷ loans would be granted, conditional on fiscal austerity and structural reform in the crisis countries and IMF involvement. In addition, Germany stipulated that public money would be used as a 'last resort', once borrowing from capital markets had been exhausted and the Eurozone as a whole was in jeopardy.³⁸ This reluctance is said to have deepened and spread the crisis across the Eurozone; it increased 'the cost of the bail-out, unsettled financial markets and poisoned the political atmosphere in Europe'.³⁹

Both domestically and internationally, the government's behaviour has been explained by the country's 'normalisation' and the changed domestic situation: Jones speculates with respect to Merkel's handling of the Greek crisis in late 2009 that 'she may have had strong domestic reasons'.⁴⁰ Barysch and Flassbeck both mention the *Land* elections in North Rhine-Westphalia on 8 May 2010 as a key event for explaining Merkel's hesitancy to offer an effective bail-out to Greece.⁴¹ Habermas agrees that '*Der Vorrang nationaler Rücksichten ist nie zuvor so blank in Erscheinung getreten wie im robusten Widerstand einer Kanzlerin, die vor ihrem Debakel vom 8. Mai 2010 die europäische Hilfe für Griechenland und*

den Rettungsschirm für den Euro wochenlang blockierte'.⁴² With respect to the outcome of the EU summit in March 2010 where Germany got its way regarding the IMF involvement and conditionality, Bulmer and Paterson speak of 'a triumph for a more obviously self-interested Germany.'⁴³ More generally, Stephens considers the German Chancellor's policy to be rooted in 'a nation that has turned inwards – one that has reassessed, and downsized, its obligation to Europe.'; a country 'that has a narrower – some would say selfish – view of its interests'.⁴⁴

Germany is not willing to accept responsibility for macroeconomic imbalances in the Eurozone and does not show sufficient solidarity despite the huge benefits from the Euro.

This second line of argument concentrates on Germany's role as export champion; it adds further impetus to demands that the country should lead the Eurozone by providing more bail-out funds and boosting its domestic demand. Since the start of the monetary union in 1999, Germany *inter alia* has built up extensive export surpluses, after years of economic weakness following reunification.⁴⁵ This excellent trade performance is seen by some as proof of the benefits that Germany has gained from the Euro, for instance due to lower transaction costs and the discontinuation of competitive devaluations by its European trading partners.⁴⁶ What is more, in a country's balance of payment the outflow of goods is accompanied by an outflow of capital. In the Eurozone, this capital export primarily took the form of German banks lending to borrowers in the southern EU periphery. For German financial institutions, this business used to be especially profitable because the terms of borrowing in the south yielded a higher return since the risk of a currency devaluation ceased to exist, while the possibility of default was neglected. Whereas the German economy benefited from monetary integration, its southern European partners accumulated trade deficits and debt. It is these macroeconomic imbalances in the trade and capital balances that are – according to proponents of this line of argument – the root of the Eurozone crisis.⁴⁷

Against this economic background, the German political elites are accused of having failed in two ways: firstly, the government did nothing to lead the Eurozone on a path of convergence, for instance by boosting its chronically weak domestic demand, as then French Finance Minister Christine Lagarde postulated.⁴⁸ To the contrary, by means of the Agenda 2010 labour market reforms and wage moderation throughout the last decade, Germany

deliberately devalued in real terms, thereby improving its industries' competitiveness, while the peripheral countries had to face inflation and wage rises. In fact, as Young and Semmler put it, Germany pursued a 'beggar-thy-neighbour' policy to its own advantage and at the same time, in a self-righteous way, blamed southern European profligacy for the crisis.⁴⁹

Secondly, politicians shied away from communicating properly to the wider public that Germany had benefited massively from the Euro, that it had to assume responsibility for the situation and that it would be Germany's turn to provide the bulk of funds necessary to save the Euro. For instance, Bulmer and Paterson are of the opinion that 'a straightforward bail-out might have been the "least worst" option in view of the huge benefits that EMU had conferred on Germany'.⁵⁰ In lieu thereof, German politicians portrayed the concessions the country eventually made as 'painful but necessary for the sake of Europe'⁵¹. By doing so, the elites gave in to the public feeling that European integration is a sacrifice Germany makes. Consequently, 'the Germans do not feel enough solidarity with their southern neighbours to pay for the costs of their fiscal mistakes or burst property bubbles'⁵².

Admittedly, recent public debates concerning the Eurozone crisis give reason to attribute Germany's behaviour to the process of 'normalisation'. In polls, people have revealed little solidarity with Greece or other countries in crisis.⁵³ After almost a decade of austerity and fiscal constraints at home and with new debt piling up since the recent economic and financial crisis, Germans feel even more reluctant when it comes to transferring taxpayer's money to Brussels or elsewhere. In former times, the media safeguarded Germany's European vocation; in contrast, nowadays tabloids such as *BILD* fuel anti-European sentiments. While the pro-European public consensus increasingly evaporates, European policy issues have gained salience on the political agenda so that public sentiments become more significant.⁵⁴ In addition, elite consensus, once a decisive pillar of Germany's pro-Europeanness, seems to be crumbling in the Eurozone crisis. For the first time since the 1950s, a major party did not support the traditional cross-party pro-European consensus: SPD and the Green Party abstained in the Bundestag decision on the Eurozone stabilisation package on 21 May 2011.⁵⁵ Besides, the number of pro-integration federalists active in politics has shrunk. In particular, Angela Merkel – whose East German origin is usually taken as an indicator of her lack of attachment to the European idea – is reproached for pursuing Germany's European vocation without passion and leadership.⁵⁶

To sum up: unlike its predecessors in the 1990s and before, the German government appears to be geared to domestic constraints in its Eurozone policies, such as increasingly adverse public opinion, upcoming elections and possible constraints imposed by rulings of the Federal Constitutional Court; hence it behaves 'normally' like any other European government in that it puts its narrowly defined national interest before the European cause.

Although it might be plausible to assume that Germany's hesitant crisis policy is rooted in the 'normalised' identity, this hypothesis disregards the importance of economic views which political actors hold regarding the crisis and its resolution. Thus, the 'normalisation' approach implicitly presupposes the following understanding of the crisis which is based on Keynesian economics: financial markets were upset after doubt was cast on the implicit assumption that bail-outs would be readily available. Amongst investors irrational panic spread and some countries ran into difficulties to re-finance their debt. Accordingly, a 'systemic crisis'⁵⁷ unfolded which threatened the Euro and the financial stability of the Eurozone as a whole. In order to put markets back at ease and safeguard the common currency, a straightforward and substantial provision of funds would have been required instantaneously, or as Jones put it: 'a strong message from Merkel in November or December of 2009 that Greece would be supported in refinancing its existing bonds and meeting its new financial requirements would have been sufficient to avert the catastrophe.'⁵⁸ By confirming the capital markets' working hypothesis of shared debt responsibility – albeit incompatible with the no-bail-out clause of the European treaties – a return to the pre-crisis position would have been possible. Fiscal consolidation and the reduction of macroeconomic imbalances would still have been a necessity but one that could have been dealt with by a subsequent commitment to debt or export surplus cuts, respectively.⁵⁹ From this perspective, Germany and the other EU countries were 'obliged' to intervene quickly and comprehensively since this would have ended the crisis; in addition, a moral obligation (and a strong self-interest) existed due to the huge benefits conferred upon Germany by the Euro.

ANOTHER APPROACH TO THE CRISIS: THE *ORDOLIBERAL* VIEW

However, if the cause of the crisis is perceived differently, an assessment of Germany's behaviour might change.⁶⁰ In fact, in the beginning, and to a significant extent still, the dominant German narrative was not one of a financial or currency crisis in the Euro area;

after all, both the inflation rate and external value of the Euro have remained relatively stable and the majority of countries still have access to private capital markets.⁶¹ Rather, the crisis is understood to be rooted in the individual debt problems of some member states.⁶² This crisis perception can be traced back to the economic ideas of *ordoliberalism*, a school of thought that provides the theoretical basis for Germany's so-called social market economy model.⁶³ According to this school, the state has a significant role to play in the economic system in that it establishes and maintains the institutional framework, i.e. the rules of the game, including provisions of social balancing, but otherwise remains as diffident and invisible as possible. In particular, it should abstain from steering the economy or intervening in its processes through discretionary short-term management since this is expected to distort market outcomes. The latter are considered efficient if they stem from a well-designed (efficient) institutional framework, complemented, if necessary, by so-called market-conforming interventions, and are brought about by (economic) actors who are free in their action as long as they comply with the rules. Conversely, unsustainable market outcomes do not require the short-sighted steering of actors but indicate the need for institutional improvement and/or long-term market-conforming interventions.⁶⁴

In this sense, the Eurozone crisis is seen as the result of misbehaving actors – in this case: member states who become 'players' in the EU game once the institutional framework is established – who piled up debt beyond what was allowed according to the EMU rules. More precisely, a typical *ordoliberal* crisis explanation reads as follows:⁶⁵ subsequent to the Euro introduction in 1999 and in Greece in 2001, interest rates in the south converged towards the lower German level as creditors stopped requesting compensation for the no longer existing risk of devaluation. Reduced interest rates made credit relatively cheap in former high-yield economies, thus 'softening the budget constraint'⁶⁶ of public and private debtors. Rather than investing, south European borrowers mainly used the money to expand consumption, for instance in the form of increased social benefits (e.g. the Greek state) or to engage in thriving property markets (e.g. private actors in Spain). The unfolding economic boom resulted in wage rises and higher inflation rates which caused a real appreciation of these countries in the currency union, leading to a decrease in competitiveness and, *ceteris paribus*, to trade deficits.⁶⁷

Without capital market pressure in the form of risk premiums and differing interest rates to keep indebtedness under control, institutional mechanisms – such as the no-bail-out

clause, the Stability and Growth Pact and the independence of the European Central Bank – were all the more important. These rules, however, once core elements of Germany's agreement to give up the Deutschmark⁶⁸, proved inapt to prevent the emergence of unsustainable fiscal and trade deficits in the weaker economies.⁶⁹ Especially the Stability and Growth Pact was the subject of political ploy rather than an instrument of discipline. It is ironic in this context that it was Germany, among others, who 'weakened the very regime it had created'; with severe consequences: 'it would now be difficult to ask other Eurozone members with chronic deficits to curb their spending'⁷⁰. The only institution that functioned more or less according to design from a German perspective was the independent European Central Bank, at least until it started to intervene in the securities markets under its Securities Market Programme in May 2010.⁷¹

This crisis perception – i.e. a debt problem in some member states and an institutional failure of the Eurozone – has important repercussions for crisis solution: firstly, indebted economies have to reduce their exposure to capital markets by debt reduction and to increase competitiveness in order to regain economic stability and growth.⁷² Secondly, as Sinn argues, 'the construction of the Eurozone, in particular the rules of conduct for the participating countries need to be reconsidered.'⁷³ In this context, Harms calls for a set of transparent and binding rules to replace the old framework which 'was strongly characterised by announcements that were perceived as non-credible'.⁷⁴ From this point of view, the German government's approach to the Eurozone crisis can be interpreted as the attempt – though not necessarily adequate in terms of measures or timing – to lead profligate countries back to frugality and create a more credible institutional framework. Examples for this include: the insistence on strict conditionality in the rescue packages, the strengthening of the Stability and Growth Pact via automated sanctions (which would free the Pact from political discretion), the involvement of private investors through a 'haircut' to avoid moral hazard, the introduction of rules for a managed sovereign default to avoid the risk of a general capital market crisis, and, with the European Stability Mechanism, the establishment of a permanent crisis mechanism as a last resort.

In contrast, policies demanded from Germany by 'normalisation' advocates (as outlined above) could be classified as counterproductive to the *ordoliberal* approach. Indeed, a bail-out scheme for the peripheral countries that would be easily available would have had several negative consequences: while loan facilities help debtor countries

overcome their solvency problems in the short term they do not address the underlying debt problem. According to the *ordoliberal* line of argument, long-term fiscal consolidation in the Eurozone periphery becomes less likely if it has to happen without the ‘carrots and sticks’ of capital markets that charge interest spreads for countries with a low creditworthiness and governments that impose tough loan conditionality or involve the IMF as a credible external body. The same holds for institutional reform; it would be less likely, with governments of indebted countries having little incentive to make concessions once cheap access to private capital is restored. Thus, neither debt reduction nor institutional reform in Europe could have been taken for granted without political leverage on the side of the surplus countries. What is more, generous bail-outs would further undermine the EMU’s institutional set-up by explicitly weakening the already diluted no-bail-out clause.⁷⁵ Moral hazard would become an even bigger problem as creditors – mainly banks in the EMU core countries – and debtors would see their initial expectation confirmed that in case of trouble a full bail-out would be accorded. This expectation would contribute to a further build-up of debt which, at least in the short to medium term, would be risk-free.

Besides that, *ordoliberals* do not consider Germany responsible for the macroeconomic imbalances in the Eurozone, at least not in the same way as ‘normalisation’ theorists do. Again, the set of economic beliefs is important: from an *ordoliberal* perspective, the excellent export performance in the 2000s is seen as the unplanned outcome of market processes rather than a deliberate ‘beggar-thy-neighbour’ strategy. The former Bundesbank President Weber argues that ‘wage moderation, corporate restructuring and policy measures, which were favourable for Germany’s price competitiveness, were not explicitly aimed at promoting export performance but the response to structural problems’.⁷⁶ In the same vein, Busch, Grömling and Matthes attribute Germany’s trade surplus to the willingness to reform, offshore and keep wages down, all of which were necessary as a response to Germany’s persistent economic crisis after unification.⁷⁷ Put differently: structural problems such as the high and sustained level of unemployment during the 1990s and early 2000s revealed flaws in the institutional framework which were, eventually, mended by corporate and political (supply-side) reforms. Conversely, the export surplus and improved economic situation in the second half of the 2000s can be taken as proof that reforms were successful and innovative and internationally competitive companies had a chance to re-emerge.⁷⁸

Along the same line, the *ordoliberal* view denies that the country benefited hugely from the Euro.⁷⁹ In contrast, it is emphasised that the trade surplus by and large equalled a massive outflow of capital, primarily via banks that invested abroad. In Germany, the resultant lack of resources caused an investment crunch, accompanied by low aggregate demand, weak economic growth and high unemployment. Thus, Germany ranked lowest of all OECD countries in terms of the net investment rate (relative to net domestic product) between 1995 and 2008, with as little as 40 per cent of domestic savings invested in the country itself in 2008.⁸⁰ Due to the stagnant economy, wage increases in the 2000s were minimal and inflation moderate, thus leading to a real devaluation in the currency union. This contributed to the price competitiveness of German exporters. However, on balance Germany suffered more from capital exports and weak domestic investment than it gained from trade surpluses, so the argument goes.⁸¹

THE EUROZONE CRISIS: EVIDENCE FOR CONTINUITY OR CHANGE IN GERMANY'S EUROPEAN POLICY?

Against this background, Germany's hesitancy and reluctance to bail out Eurozone members in trouble cannot solely be interpreted as a sign of change towards the 'normal' or a narrowly defined national interest. Alternatively, and as suggested here, it can also be understood as the attempt, informed by the ideas of *ordoliberalism*, to solve the twin crisis of excess indebtedness and institutional failure. In this sense, this policy approach is an indication of continuity in Germany's European policy rather than a marker for change: now as in the EMU foundation period in the early 1990s, the monetary and fiscal constitution constitutes the primary concern of the German government in order to safeguard a price-stable currency. In the Maastricht Treaty, Germany succeeded, at least on paper, in uploading its own monetary institutional design and the idea of fiscal discipline to the EU level. Despite the fact that the country betrayed its own principles when it violated the Stability and Growth Pact in the early 2000s, it nevertheless believed in the rules and agreements made.⁸² However, since these very institutions – in particular, the Stability and Growth Pact and the no-bail-out clause – proved insufficient and non-credible in the recent crisis, the logical conclusion is that they require improvement if a future crisis is to be prevented. This long-term solution constitutes the main concern of *ordoliberal* Germany.

To some extent, continuity can also be observed with respect to the instruments Germany employs to achieve its (institutional) goals, in particular the use of side payments and leading by example. For one, the government eventually endorsed the rescue packages. These bail-outs could be interpreted as a means to buy time and a side payment to 'persuade' reluctant European partners.⁸³ Through short-term financial aid, sovereign default could be avoided for the time being, while at the same time conditionality and peer pressure provide incentives to agree on institutional reform and fiscal consolidation. As for Germany's traditional approach of leading by example, one can cite the debt brake that was introduced in the German constitution in early 2009 and, in the meantime, lifted to the European level via the European Fiscal Compact. Even more, the whole concept of austerity and supply-side reform as the way forward out of the economic and fiscal crisis in southern Europe is born out of the German experience.⁸⁴ Thus, in the early 2000s the German economy underwent comparable reforms which are nowadays regarded as a key cause for the economic recovery in recent years. Again, the use of money and examples as means to achieve institutional goals suggests a degree of continuity in Germany's European diplomacy with the period prior to the mid-1990s.

CONCLUSION

Both in academia and the public, an intensive debate is evident concerning the degree to which change and conversely continuity are important in understanding German foreign and European policy in the post-unification era. With respect to Europe, many commentators view Germany on a road to 'normalisation' where the country behaves in a more assertive and self-interested manner, in line with and much like the other big EU member states. A number of plausible reasons is given for the observed change: the crumbling of public and elite consensus on European integration, a generational change of politicians, reunification with its fiscal strains and a generally more inward-looking attitude. In this context, the current Eurozone crisis is perceived of as a further illustration of Germany's 'normalised' behaviour. With its reluctant approach and lack of solidarity, Germany is said to have triggered and aggravated the crisis, despite massive benefits from the Euro. Germany's trade surpluses are classified as the cause of the Eurozone's macroeconomic imbalances and, beyond that, the root of the crisis. However, this 'normalisation' approach implicitly assumes

a specific view of the crisis, i.e. one of a systemic currency crisis, thereby failing to acknowledge the important role of *ordoliberalism* in explaining the Germany's behaviour.

From an *ordoliberal* point of view, the Eurozone crisis is understood as a debt crisis of some European countries which came about despite institutional arrangements to prevent exactly this situation. Consequently, the debt crisis is also an institutional failure of the monetary and economic constitution. Therefore, fiscal consolidation and constitutional amendments are required in order to move out of the predicament; rather than providing unconditional and limitless funds as advocated by 'normalisation' scholars. With its 'obsession' with the institutional framework, Germany has revealed a significant degree of continuity with the early 1990s, the often claimed apogee of Germany's European vocation. The same could be said at the instrumental level: the German government undertakes side payments and provides examples in order to persuade its European partners to agree on fiscal consolidation and institutional reform.

The intention of this article is not to justify Germany's crisis policy from a normative point of view. Indeed, whether the 'normalisation' or the *ordoliberal* explanation of the crisis will ultimately prove of more value remains to be seen, with all that this implies for the assessment of policy measures. So far, each side has laid claim to the progress achieved: those who perceive the Eurozone crisis as a collapse of financial markets point to ECB President Draghi's announcement of unlimited support for countries in trouble in July 2012 which appeased capital markets and brought down interest spreads; those who concentrate on debt and institutional problems refer to various treaty amendments and especially the case of Ireland that is presented as a showcase for 'adjustment through austerity and structural reform'.⁸⁵ The German Council of Economic Experts emphasizes the interdependency of both economic views: while the former focuses on the short-term stabilisation of the Eurozone, the latter addresses the 'structural basis of long-term prosperity' in Europe by aiming at improved governance.⁸⁶

This article argues that the Eurozone crisis is not simply another example of Germany's 'normalisation' and narrow self-interest. Admittedly, domestic conditions in Germany and political rhetoric have changed but the country's vision for monetary integration in Europe is still decisively informed by ideas of *ordoliberalism*, including sound money and fiscal discipline. Thus, it is necessary to take into account Germany's *ordoliberal* heritage when explaining the country's policy approach, rather than primarily looking at the

country's 'normalisation'. As for the Eurozone crisis, it shows that the situation is not just a question of solidarity and European spirit: different economic traditions prevail in Europe which underlines the complexity of the nature of the crisis and its resolution.

¹ B. Crawford, 'The Normative Power of a Normal State', *German Politics and Society* 95/28/2 (2010), pp. 169.

² For a short overview see M. Marquart, 'Ärger über Musterschüler Deutschland', *Der Spiegel*, 30 Aug. 2011, available from <http://www.spiegel.de/wirtschaft/soziales/kritik-an-euro-krisenstrategie-aerger-ueber-musterschueler-deutschland-a-783206.html> (accessed 4 Sept. 2011); as well as the references following below.

³ W.E. Paterson, 'The Reluctant Hegemon? Germany Moves Centre Stage in the European Union', *Journal of Common Market Studies* 49/Annual Review (2011), pp. 59-77.

⁴ For example S. Bulmer and W.E. Paterson, 'Germany and the European Union: From "Tamed Power" to Normalized Power?', *International Affairs* 86/5 (2010), pp. 1051-1073; W.E. Paterson, 'Does Germany still have a European Vocation?', *German Politics* 19/1 (2010), pp. 41-52; R. Karp, 'Germany: A "Normal" Global Actor?', *German Politics* 18/1 (2009), pp. 12-35; H. Kundnani, 'Germany as Geo-economic Power', *The Washington Quarterly* 34/3 (2011), p. 31-45; K. Oppermann, 'National Role Conceptions, Domestic Constraints and the New "Normalcy" in German Foreign Policy: the Eurozone Crisis, Libya and Beyond', *German Politics* 21/4 (2012), pp. 502-519.

⁵ Karp, 'Germany: A "Normal" Global Actor?', p. 13.

⁶ Oppermann, 'National Role Conceptions', p. 506.

⁷ Karp, 'Germany: A "Normal" Global Actor?', p., 13.

⁸ P. Katzenstein, 'United Germany in an Integrating Europe', in P. Katzenstein (ed.), *Tamed Power: Germany in Europe* (Ithaca N.Y and London: Cornell University Press, 1997), p. 4.

⁹ Paterson, 'The Reluctant Hegemon?', p. 60.

¹⁰ Karp, 'Germany: A "Normal" Global Actor?'.

¹¹ S. Bulmer, C. Jeffrey and W.E. Paterson, *Germany's European Diplomacy: Shaping the Regional Milieu* (Manchester: Manchester University Press, 2000).

¹² K. Barysch, *Germany, the Euro and the Politics of Bail-out* (Centre for European Reform, Briefing Note, London, 2010), p.3, available from http://www.cer.org.uk/sites/default/files/publications/attachments/pdf/2011/bn_barysch_germany_andeurope_28jun10-242.pdf (accessed 15 July 2010).

¹³ Paterson, 'The Reluctant Hegemon?', p. 61, and Kundnani, 'Germany as Geo-economic Power', p. 34.

¹⁴ Karp, 'Germany: A "Normal" Global Actor?', p. 17.

¹⁵ Oppermann, 'National Role Conceptions', p. 504.

¹⁶ Paterson, 'Does Germany still have a European Vocation?', p. 45.

¹⁷ Bulmer and Paterson, 'Germany and the European Union', p. 1060; for comparable/critical discussions of 'normalisation' see also: Paterson, 'Does Germany still have a European Vocation?'; Karp, 'Germany: A "Normal" Global Actor?'; Oppermann, 'National Role Conceptions'; Crawford, 'The Normative Power of A Normal State', to name a few.

¹⁸ Paterson, 'Does Germany still have a European Vocation?', p. 49.

¹⁹ C. Jeffrey, 'Germany and Europe: a Shifting Vocation?', Luncheon Address at the 'Annual Conference of the German Studies Association', San Diego, 6 October 2007, *German Studies Association Newsletter* 32/2 (Winter 2007-08), p. 44.

²⁰ G. Hellmann, 'Normatively Disarmed, But Self-confident', *Internationale Politik, Global Edition* 3 (2011), pp. 45-51.

²¹ Bulmer and Paterson, 'Germany and the European Union', p. 1071. For instance, Chancellor Schröder declared in his inaugural speech in 1998: 'My generation and those following are Europeans because we want to be not because we have to be. That makes us freer in dealing with others.... I am convinced that our European partners want to have a self-confident German partner who is more calculable than a German partner with an inferiority complex. Germany standing up for its national interest will be just as natural as France or Britain standing up for theirs' (quote taken from Paterson, 'The Reluctant Hegemon', p. 64).

²² Bulmer and Paterson, 'Germany and the European Union', p. 1073.

²³ Kundnani, 'Germany as Geo-economic Power', p. 35.

²⁴ Paterson, 'Does Germany still have a European Vocation?', p. 49.

²⁵ See for instance, Paterson, 'The Reluctant Hegemon?', p. 62-65; and Barysch, *Germany, the Euro and the Politics of Bail-out*.

²⁶ Oppermann, 'National Role Conceptions', p. 506.

²⁷ Barysch, *Germany, the Euro and the Politics of Bail-out*, p. 3.

²⁸ Paterson, 'The Reluctant Hegemon', pp. 63-64.

²⁹ For details see Bulmer and Paterson, 'Germany and the European Union' and Oppermann, 'National Role Conceptions'.

³⁰ Bulmer and Paterson, 'Germany and the European Union', p. 1070; Barysch, *Germany, the Euro and the Politics of Bail-out*.; M. Morisse-Schilbach, "'Ach Deutschland!' Greece, the Euro Crisis, and the Costs and Benefits of Being a Benign Hegemon', *Internationale Politik und Gesellschaft* 1 (2011), pp. 28-41; H. Müller, 'Wer ist Schuld, falls der Euro scheitert?

Deutschland!', *Spiegel-online*, 21 June 2011, available from <http://www.spiegel.de/wirtschaft/soziales/waehrungskrise-werist-schuld-falls-der-euro-scheitert-deutschland-a-769386.html> (accessed 24 Aug. 2011).

³¹ See Bulmer and Paterson, 'Germany and the European Union', and Oppermann, 'National Role Conceptions'.

³² N. Lamont, *In Office* (London: Little, Brown & Co., 1999), p. 453.

³³ See E. Jones, 'Merkel's Folly', *Survival* 52/3 (2010), pp. 21-38, for a detailed discussion of this counterfactual scenario.

³⁴ Both Merkel quotes were made at press conferences following European Council summits in 2009 and 2010 and are cited in Jones, 'Merkel's Folly', p. 21.

³⁵ Jones, 'Merkel's Folly', p. 33.

³⁶ Paterson, 'The Reluctant Hegemon?', p. 73, argues that one strong reason for Germany to eventually endorse the rescue packages was the fact that German banks were extremely exposed to south European debt. However, according to Paterson, this argument remained a 'dirty little secret'.

³⁷ B. Young and W. Semmler, 'The European Sovereign Debt Crisis: Is Germany to Blame?', *German Politics and Society* 97/29:1 (2011), pp. 1-24.

³⁸ Paterson, 'The Reluctant Hegemon?', p. 71.

³⁹ Barysch, *Germany, the Euro and the Politics of Bail-out*, p. 1.

⁴⁰ Jones, 'Merkel's Folly', p. 33.

⁴¹ Barysch, *Germany, the Euro and the Politics of Bail-out*, p. 3, and H. Flassbeck, 'Zu spät, zu zögerlich, zu unentschlossen', *Rheinischer Merkur*, 13 May 2010.

⁴² J. Habermas, 'Merkels von Demoskopie geleiteter Opportunismus', *Süddeutsche Zeitung*, 7 April 2011, available from <http://www.sueddeutsche.de/politik/europapolitik-merkels-von-demoskopie-geleiteter-opportunismus-1.1082536> (accessed 24 Aug. 2011).

⁴³ Bulmer and Paterson, 'Germany and the European Union', p. 1070.

⁴⁴ P. Stephens, 'Merkel's Myopia Reopens Europe's German Question', *Financial Times*, 25 March 2010, available from <http://www.ft.com/intl/cms/s/0/6bbc71d8-3847-11df-8420-00144feabdc0.html> (accessed 8 Feb. 2012).

⁴⁵ See for instance, B. Busch, M. Grömling and J. Matthes, *Ungleichgewichte in der Eurozone: Ursachenanalyse und wirtschaftspolitische Empfehlungen* (Institut der deutschen Wirtschaft, Forschungsbericht No. 74, Cologne, 2011).

⁴⁶ For instance, Paterson, 'Does Germany still have a European Vocation?' and D. Marsh, *The Euro: The Politics of the New Global Currency* (New Haven, CT and London: Yale University Press, 2009).

⁴⁷ See for instance Jones, 'Merkel's Folly', p. 32.

⁴⁸ *Financial Times*, 'Lagarde Warning to Berlin', 15 March 2010, p. 1.

⁴⁹ Young and Semmler, 'The European Sovereign Debt Crisis', p. 2.

⁵⁰ Bulmer and Paterson, 'Germany and the European Union', p. 1069.

⁵¹ R. Perissich, 'Moments of Truth – A new neo-Gaullist Germany?', *EuropEos Commentary*, No. 3, 1 June 2010, available from <http://www.ceps.eu/book/moments-truth-%E2%80%93-new-neo-gaullist-germany> (accessed 18 July 2010), p. 1.

⁵² Barysch, *Germany, the Euro and the Politics of Bail-out*, p. 4.

⁵³ For example, Oppermann, 'National Role Conceptions', p. 511.

⁵⁴ While Helmut Kohl could rely on 'permissive consensus' and thus did not have to pay much attention to the public when making his decision on the Euro, Germans nowadays want to have a say in European policy-making, particularly when it affects their purse. See Barysch, *Germany, the Euro and the Politics of Bail-out*, p. 4.

⁵⁵ Despite the abstention, the package passed the Bundestag with 319 of the 587 MPs present. It should be noted that SPD and Greens did not abstain on material grounds but due to procedural complaints. In principle, they supported the rescue package.

⁵⁶ See Paterson, 'The Reluctant Hegemon?', p. 68, and Perissich, 'Moments of Truth', p. 4.

⁵⁷ Then ECB President Trichet warned of a 'systemic crisis' of the Euro. See *Frankfurter Allgemeine Zeitung*, 'EZB soll direkt Staatsanleihen kaufen' 10 May 2010, available from <http://www.faz.net/aktuell/wirtschaft/europas-schuldenkrise/eilmassnahmen-fuer-den-euro-ebz-soll-direkt-staatsanleihen-kaufen-1981024.html> (accessed 15 May 2010).

⁵⁸ Jones, 'Merkel's Folly', p. 26.

⁵⁹ E.g. Jones, 'Merkel's Folly', p. 26.

⁶⁰ See P.A. Hall, 'The Economics and Politics of the Euro Crisis', *German Politics* 21/4 (2012), pp. 355-371, for a discussion of contrasting narratives about the crisis. For a specific 'German' view that is discussed in what follows see for instance: C. Fuest, M. Hellwig, H.W. Sinn and W. Franz, 'Zehn Regeln zur Rettung des Euro, Appell an die Bundesregierung', *Frankfurter Allgemeine Zeitung*, 18 June 2010, p. 8; Sinn, *Rescuing Europe*, H. Klodt, 'Schuldenfalle in der Euro-Zone: Politikversagen oder Systemfehler?', in T. Theurl (ed.), *Gute Regeln oder Wirtschaftslenkung? Europas neue Herausforderungen* (Berlin: Duncker & Humblot, 2011), pp. 31-45; O. Issing, 'Europa in Not – Deutschland in Gefahr', *Frankfurter Allgemeine Zeitung*, 11 June 2012, available from <http://www.faz.net/aktuell/wirtschaft/schuldenkrise-europa-in-not-deutschland-in-gefahr-11781892.html> (accessed 12 June 2012);

⁶¹ Sinn, *Rescuing Europe*, pp. 5-6.

⁶² See Fuest, Franz, Hellwig, Sinn, 'Zehn Regeln zur Rettung des Euro'.

⁶³ For the concept of *ordoliberalism* see K. Zweig, *The Origins of the German Social Market Economy: The Leading Ideas and Their Intellectual Roots* (London and Virginia: Adam Smith Institute, 1980); K.D. John, 'The German Social Market Economy – (Still) a Model for the European Union?', *Theoretical and Applied Economics* 3/508 (2007), pp. 3-10; W. Münchau, *Das Ende der Sozialen Marktwirtschaft* (Munich: Carl Hanser Verlag, 2006). Of course, the actual economic system in Germany deviates from the theoretical ideal, as the long list of subsidies, discretionary interventions and breaches of principles

shows. Nevertheless, the ideal plays an important role in developing and evaluating policy proposals, especially in the conservative-liberal government that sees itself as the vindicator of *ordoliberalism*.

⁶⁴ John, 'The German Social Market Economy', pp. 4-6. For instance, John traces Germany's weak economic performance after unification partly back to 'the deviation of the practical policy from the concept'.

⁶⁵ For instance, Sinn, *Rescuing Europe*, pp. 11-14.

⁶⁶ H.W. Sinn and K. Carstensen, 'Ein Krisenmechanismus für die Eurozone', *ifo schnelldienst*, Special Issue 23 (2010), p. 7.

⁶⁷ See for instance, W. Münchau, 'Letzter Ausweg gemeinsame Anpassung – die Eurozone zwischen Depression und Spaltung', *WISO direkt* (Friedrich-Ebert-Foundation, Berlin, 2010). Germany experienced a similar, though less severe situation in the years following unification (and even before). The loss of competitiveness and the increasing budget deficits were eventually overcome by supply-side reforms (fiscal consolidation including the debt brake, the Agenda 2010 reforms etc.).

⁶⁸ T. Mayer, 'Restrukturierung der Staatsverschuldung', *Orientierungen zur Wirtschafts- und Gesellschaftspolitik* 126/4 (2010), pp. 9-13.

⁶⁹ Fuest, Hellwig, Sinn and Franz, 'Zehn Regeln zur Rettung des Euro', p. 8; Sinn, *Rescuing Europe*. Already the entry criteria – i.e. the Maastricht Criteria – were not applied rigorously, since countries such as Italy, Belgium and Greece were allowed to enter the monetary union in 1999 despite the fact that they did not pass the test. Other countries – including Germany – have been accused of manipulating their public finances in order to formally fulfill the convergence criteria.

⁷⁰ Crawford, *Power and German Foreign Policy*, p. 139.

⁷¹ Under the Securities Market Programme, the ECB intervenes in public and private debt securities markets 'to ensure depth and liquidity in those market segments which are dysfunctional', see ECB, *Monthly Bulletin*, 13 May 2010, available from <http://www.ecb.int/pub/mb/editorials/2010/html/mb100513.en.html> (accessed 6 Sep. 2011). In Germany, this policy has been heavily criticised by some *ordoliberals*.

⁷² Sinn estimates that the south European countries need to decrease their price levels by up to 30 per cent relative to the Eurozone average in order to regain competitiveness. See H.W. Sinn, 'Die Eurokrise ist noch nicht gelöst', *Fankfurter Allgemeine Zeitung*, 28 Jan. 2013, available from <http://www.faz.net/aktuell/wirtschaft/europas-schuldenkrise/gastbeitrag-die-eurokrise-ist-noch-nicht-geloest-12042126.html> (accessed 28 Jan. 2013).

⁷³ Sinn, *Rescuing Europe*, p. 1.

⁷⁴ P. Harms, 'Die Euro-Krise: Kinderkrankheit eines Jahrhundertprojekts', *Orientierungen zur Wirtschafts- und Gesellschaftspolitik* 126/4 (2010), p. 5.

⁷⁵ Another argument for caution regarding the no-bail-out clause concerns the role of the Federal Constitutional Court in German politics. However, in its ruling on 8 September 2011, the Court endorsed the rescue packages in principle.

⁷⁶ A. Weber, *Germany and the Financial Crisis: Challenges and Opportunities*, Luncheon Speech at the American Council on Germany, New York, 26 April 2010, p. 7.

⁷⁷ Busch, Grömling and Matthes, *Ungleichgewichte in der Eurozone*, p. 21. See also Haß, 'Deutsche Exportüberschüsse', p. 29.

⁷⁸ H.J. Haß, 'Deutsche Exportüberschüsse – Zur Kritik aus dem Ausland', *Orientierungen zur Wirtschafts- und Gesellschaftspolitik* 126/4 (2010), pp. 27-31; and *Spiegel Online*, 'Merkel verteidigt deutsche Export-Vormacht', 15 March 2010, available from <http://www.spiegel.de/wirtschaft/soziales/eu-wirtschaftspolitik-merkel-verteidigt-deutsche-export-vormacht-a-683611.html> (accessed 7 Sep. 2011).

⁷⁹ See for instance Fuest, Hellwig, Sinn and Franz, 'Zehn Regeln zur Rettung des Euro', or M. Wolf, 'Germans are Wrong: the Euro is Good for Them', *Financial Times*, 7 Sep. 2010, available from <http://www.ft.com/intl/cms/s/0/195dfa18-bab2-11df-b73d-00144feab49a.html#axzz1Xkq1SvL9> (accessed 4 Sep. 2011).

⁸⁰ Sinn, *Rescuing Europe*, p. 17.

⁸¹ Sinn, *Rescuing Europe*, p. 18.

⁸² Mayer, 'Restrukturierung der Staatsverschuldung', p. 9, and Habermas, 'Merkels von Demoskopie geleiteter Opportunismus', who remarks that 'Andere Befürworter glaubten an das ordoliberale Lehrbuch, das der Wirtschaftsverfassung mehr zutraut als der Demokratie. Sie meinten, dass die Einhaltung simpler Regeln für eine Konsolidierung der Staatshaushalte genügen müsste [...].'

⁸³ For instance, Prantl, 'Angela Merkel – Frau Anti-Kohl?', *Süddeutsche Zeitung*, 27 March 2010, available from <http://www.sueddeutsche.de/politik/deutsche-europapolitik-angela-merkel-frau-anti-kohl-1.7576> (accessed 25 January 2011) or Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung, *Chancen für einen stabilen Aufschwung* (Annual Report 2010/11, Wiesbaden, 2010), p. 67.

⁸⁴ Hall critically remarks that 'the idea that, with effective reform, these economies can mirror the German economy is another of those mirages that is getting in the way of genuine solutions to the problem'. See Hall, 'The Economics and Politics of the Euro Crisis', p. 369.

⁸⁵ *The Economist*, 'Is Ireland a model of adjustment through austerity?', 12 Jan. 2013, available from <http://www.economist.com/news/europe/21569437-ireland-model-adjustment-through-austerity-celtic-metamorphosis> (accessed 15 Jan. 2013).

⁸⁶ The German Council of Economic Experts, 'A Redemption Pact for Europe: Time to Act now', <http://www.sachverstaendigenrat-wirtschaft.de/schuldentilgungspakt.html>

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