

Economic Crisis and New Nationalisms

German Political Economy as Perceived
by European Partners

Monika Poettinger & Antonio Varsori (eds.)



P.I.E. Peter Lang



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As of a consequence of the ongoing economic crisis, in 2010 there was a marked deterioration in cross-border relations between Italy and Germany. In both countries the press published articles openly blaming economic hardship on the squandering attitude of southerners or the egoistic and mercantilist policies of northerners. The reigning confusion among economists, split between pro-and anti-Euro positions in both countries, could do nothing to counter this growing wave of populist nationalism.

Out of this situation grew the idea of organizing a conference to discuss the theoretical issues implied by recent economic policy debates, purging them of ideological and nationalistic overtones. This volume publishes the proceedings of the resulting international colloquium, "Economic crisis and new nationalisms: German economic policy as perceived by European partners", which was organized by the Foundation Cesifin Alberto Predieri and held in Florence in November 2012. It includes contributions from leading German and Italian economists and historians such as Piero Bini, Charles B. Blankart, Monika Poettinger, Paolo Savona, Bertram Schefold, Antonio Varsori and Gerhard Wegner.

Monika Poettinger is Associate Professor of Economic History at Bocconi University and the University of Florence. She has published extensively on the industrialization of Lombardy, merchant networks and German entrepreneurial migrations. Her recent publications include *Deutsche Unternehmer im Mailand des neunzehnten Jahrhunderts. Netzwerke, soziales Kapital und Industrialisierung* (2012) and *Firenze e l'Europa liberale. L'Economista (1874-1881)* (ed., 2013). Her research interests include the role of merchants in society from Babylonia to the nineteenth century, European liberal economic thought and its diffusion, and entrepreneurial migrations and the role of merchant networks in industrialization.

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ECONOMIC CRISIS AND NEW NATIONALISMS

**GERMAN POLITICAL ECONOMY AS
PERCEIVED BY EUROPEAN PARTNERS**



P.I.E. Peter Lang

Bruxelles · Bern · Berlin · Frankfurt am Main · New York · Oxford · Wien

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Euroclio
No.84

Financial Support for publication was granted by Foundation Cesifin Alberto Predieri.

This publication has been peer-reviewed.

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Éditions scientifiques internationales

Brussels, 2014

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ISSN 0944-2294

ISBN 978-2-87574-193-6

eISBN 978-3-0352-6472-2

D/2014/5678/71

Printed in Germany

CIP available from the British Library, UK and from the Library of Congress, USA.

“Die Deutsche National Bibliothek” lists this publication in the “Deutsche Nationalbibliografie”; detailed bibliographic data is available on the Internet at <<http://dnb.de>>.

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Preface

Italy and Germany: a “Marriage” Destined to Last?

Ginevra Cerrina FERONI

I am pleased that Fondazione Cesifin Alberto Predieri welcomed with enthusiasm the project of the conference titled “Economic Crisis and New Nationalisms: German Economic Policy as perceived by European Partners”.

The relationship between Italy and Germany is a sensitive subject. A relation that has developed over the years in very different areas such as: politics, literature, sport, arts, economic relations and law. A long partnership that someone (G.E Rusconi) called “marriage” and, as every marriage lasting over the years, had its ups and downs, its lights and shadows.

Truth to be told the comparison with the German world has always been very important for Italy. For instance, it is paramount to recall that the connection with the German experience within the legal field is an obvious point of reference for Italian jurists, at least starting from Vittorio Emanuele Orlando’s work. Indeed, the historical studies on his works as well as on the events of Italian public law highlighted well the influence of German legal dogmatics on Italian legal science. Likewise, the influences of the Weimar’s constitution (1919) in Italy are well known, in the period between the two wars and afterwards particularly during the years of the Constituent Assembly. However, even during the sixty years or more of the German Basic Law’s enforcement, the so called “German model” has been recalled many times in the debates on Constitutional reforms to be introduced in Italy. I am thinking about the most well known subjects such as: the federal system of the State and form of government. Hence, Italian politico-cultural *élites* have always shown a great interest towards the German institutional system (certainly greater than the specular one displayed by German politico-cultural *élites* towards our Country). During a period of economic crisis as the one Italy is facing, the forced comparison with the German model certainly becomes troubling. It says a lot the fact that our economic trustworthiness on the markets is measured daily according to the parameters established by German stability and productivity.

Nevertheless, Italy and Germany shared a similar historic past: they are both relatively young nations (born respectively in 1861 and 1871); the unification of both Countries was achieved thanks to the role played by leader-States which triggered progressive processes of annexation (Reign of Sardinia and Prussia), and their respective Prime Ministers (Cavour, the Reign of Sardinia's Prime Minister and von Bismarck, Chancellor of Prussia) played a decisive role in both events.

Other analogies can be found in the Countries' common authoritarian/totalitarian experiences and in the fact that the advent of authoritarian/totalitarian regimes both in Italy and Germany was caused by the crisis of the liberal State and a weak parliamentarianism.

Furthermore, Italy and Germany came out of the war heavily defeated and with limitations on their sovereignty and national feeling: the reason why the connection to establish a European perspective represented a great opportunity of political identity for both Countries.

Finally, they experienced a real economic miracle in the second Post-war period.

Nonetheless, nowadays the distances between the two Countries are huge. What happened? Why did Germany shift from being "Europe's big patient" to become its driving force, especially since the Two Thousands, while Italy seems to be destined to a relentless decline? Indeed, there are many differences concerning the state of health of their respective public finances, levels of employment, and productivity, competitiveness on international markets, levels of innovation, research and political stability.

History repeats itself. The Reunification Treaty, enabled Germany to become also a political giant drawing the analysts' attention and, I would add, a certain level of concern. Once again we face an unquestioned German hegemony.

This could explain why mistrust, nationalism, a spirit of revenge against who is held directly or indirectly responsible for all evils tend to be stirred within the context of a serious crisis. Trite stereotypes are exhumed, disapproving attitudes towards Europe are heightened, a withdrawal from the Euro is proposed and Germany which after a long period of purification from its faults deceived itself in thinking of having made peace with the world, has been hit by a new wave of resentment.

Moreover, the idea, provocative in its essence as much as dangerous for its effects, according to which it is perfectly legitimate to deny help to European Countries that are experiencing some difficulties, as they are guiltily indebted and thusly unworthy, has been supported by Germany as well. This idea is based on the principle that German people have the right (and the duty) to be led by their own reasonable interest with regards

to international financial relationships without fearing moral reprimands (T. Sarrazin).

Refined analyses carried out by economists and political scientists highlighted that the problem is largely ascribable to the birth of the Euro and to the many incoherences of the Eurosystem (G. Guarino). Moreover, they showed that Germany's hegemony, far from being limited to the single currency, has further increased considering that the new currency was new only in name, since it was actually a replacement for the German Mark (E. Galli della Loggia). Hence, we face a paradox: the currency which was meant to unite European people caused a seemingly unbridgeable division.

Likewise, it is unquestionable that the survival of the European Union cannot but be linked with the solution of the European constitutional issue. Under the current circumstances, politics cannot be considered as an option for Europe to manage either the currency or the entire system: it is a necessity. The path is hard and full of traps, but there are no other ways left.

Likewise, it is unthinkable to go towards a united Europe without establishing a European schooling standard or choosing an official language (P. Savona).

However, "to bang one's fists on Europe", according to a widespread vulgate, will become a feasible prospect only if we are credible in Europe (L. Bini Smaghi). The task is to better employ the huge sources coming from tax levy which cannot be further increased without causing the Italian system to collapse. This is the issue. The problem of Italian economy is essentially about growth. However, within an economy where public spending is worth more than the half of the national product, no growth acceleration will be possible unless public spending will be more effective and efficient. Hence, there is a need for politics, a brave one, but political consensus hinders brave actions which could tackle that network of specific, strengthened and stratified interests that weigh on our Country's institutions, economy and society. The history of many missed reforms in the past is exemplary. This is why I cannot be fully optimistic. Behind numbers there are human beings with their history and character, for better and for worse.

As it happens in every marriage, we ought to learn from our partner and we can learn the following from our German friends: the culture of rigour, not so much (or not only) the one applied to public accounts, but the one to adopt as a lifestyle. A culture of rigour which, in my opinion, stands for: compliance with rules, awareness of the common good, meritocracy in every field without discounts, exceptions or do-goodism. Being aware that this is the winning solution would mean to

have the tools to appear before Europe having what it takes to excel in global competitiveness.

However, Germany's political and economic hegemony is not under discussion. That is why it is not a matter of asking *whether* Europe should be led by Germany or not, but *how* this leadership should be exerted, i.e. how Germany should organise its *auctoritas*. The real issue lies in the fact that Germany – perhaps the least anti-European Country of the Union – has to take on its responsibilities before Europe, abandoning its tendency to disengagement, and playing an active role in establishing a European constitutional framework (A. Bolaffi).

The European elections held on May 25, 2014 seem to have highlighted new equilibria. On the one hand, they registered a numerically significant affirmation of Euro-sceptical parties (first among them Le Pen's right-wing party); on the other hand, they witnessed the end of the Franco-German axis in leading Europe, considering the fall of Hollande's left-wing party in France as opposed to the undisputed victory of Renzi's left-wing party in Italy.

Will an Italo-German axis henceforth lead Europe? It is too early to say. Certainly, starting from today the role played by Italy will be reflected in its relationship with Germany and thus with Europe.

In other words, Italy and Germany: a “marriage” destined to last?

Introduction

Monika POETTINGER

This volume hosts the proceedings of the international colloquium on “Economic crisis and new nationalisms: German economic policy as perceived by European partners”, organized by the Foundation Cesifin Alberto Predieri and held in Florence, November the 15th, 2012. In this regard particular thanks are due to Prof. Ginevra Cerrina Feroni and Dr. Monica Degli Innocenti of Cesifin, and Prof. Piero Roggi, University of Florence, for their continuous support and the impeccable organization.

In consequence of the ongoing economic crisis, in 2010 the deterioration of cross-border relations between Italy and Germany was undeniable. In both countries the press hosted articles openly blaming present hardships on the squandering attitude of southerners or egoistic and mercantilist policies of northerners. “The double life of Chancellor Merkel, Prussian and European without remorse” titled for example Danilo Taino on *Corriere della Sera* in December 2010¹. He was one of the kindest. In Germany, *Frankfurter Allgemeine Zeitung* noted in November 2010: “Italians count differently”². Again one of the mildest.

At the end of 2011 Pierluigi Battista resumed the situation thusly: “Today, on balance, with the euro caught in a storm and Germany in the crossfire, considered too greedy towards weaker and more indebted European partners, the rumor makes the round that the euro has been colonized by the mark. Or that the euro is only a façade for a resurrected mark. In any case the result of these tales is the image of a diabolical Germany sacrificing to its egoistic national interest the interests of all European partners, with Angela Merkel in the foreground, tightening the grip on the purse and strangling European poor, while they plead for mercy, asking to be relieved from an oppressive debt. But no, the nefarious German begs off, pretends, conditions, appearing less than generous. Not for a political calculus, potentially wrong, but for an hegemonic assessment that ignores allies as if they were nothing worth”³. Battista

¹ D. TAINO, “La doppia vita del cancelliere Merkel. Prussiana ed europea, senza complessi”, *Corriere della Sera*, December 17 2010.

² “Die Italiener rechnen anders”, *Frankfurter Allgemeine Zeitung*, November 2010.

³ P. BATTISTA, “I fantasmi dell’egemonia tedesca”, *Corriere della Sera*, December 3 2011.

clearly unveils how this representation of Germany and of its chancellor had the ultimate aim of blaming on them the hardship of the euro in the eyes of the public opinion. The fault for a crumbling Europe would so sit on the “obtuse” controller, stereotyped image of a German disciplined to obstinacy and governed by an ideal of steadfastness to which sacrifice poor and rebellious associates. “The demonization of Germany – concludes Battista – goes so far as to affirm that with different German politics the Euro would be saved and Europe would almost thrive, protected from its historical collapse”. An illusion, obviously, with the terrible consequence of destroying the peaceful and cooperative ideal of Europe⁴.

The reigning confusion among economists, split between pro- and anti-Euro positions in both countries, could not dissolve this growing wave of populist nationalisms⁵. Hence the idea of a conference with the aim of discussing the theoretical issues implied by recent economic policy debates, purging them of ideological and nationalistic tones. On both sides, economists readily accepted the confrontation and in due time the conference took form and content. In this regard I owe particular gratitude to all participants, facing harsh opposition and even open hostility with the disarming coherence of their theoretical background.

In the following I will concisely introduce the conceptual and methodological background of the conference and the contributions of participants to the present volume. I will also analyze the representation that two Italian and one German newspaper gave of the economic crisis from 2008 to 2013, underlining the different relevance accorded to single theories and economic ideologies, with reference to the political affiliation or nationality of the newspaper and also to the temporal evolution of the crisis. Divergences and convergences across-borders will so emerge and tentatively be explained. A brief sketch will also be drawn of the relationship between the two countries and of the two countries in respect to the European Union and the Euro, as derived from the press. The results of the analysis highlight how economic theories, in the long run, are transformed in general culture, in form of a prejudiced vulgate, and as such can become a populist instrument of politics. They also show how contemporary economists act, through the press, as critical voice toward governments’ measures of political economy or directly participate in

⁴ *Ivi*.

⁵ A precocious analysis of the diffusion of “Euroscetticism” and “populism” in European countries during the crisis is to be found in E. GALLI DELLA LOGGIA, “Europa, la fine di un ciclo”, *Corriere della Sera*, June 11 2009. A more recent analysis of the complex phenomena of literary narratives of the crisis and the figure of the “populist economist” is in M. GOTOR, “Il romanzo dell’economia”, *La Repubblica*, October 7 2012.

the political process. Finally the study clarifies how the economic cycle influences both these aspects of the popularizing of economic theories, with the aim of purifying the current debate from nationalist and populist elements.

1. From Theory to Culture: Economics at the Test of Time

As hinted, the problem of Italo-German cross-border relations had many layers. Nationalistic sentiments were only the bottom end of the question. Such sentiments were the reflection of a widespread interpretation of economic processes based on deeply ingrained ideas, unconsciously absorbed by individuals through socialization processes. Many political decisions, too, are taken in the wake of such long term cultural traits: Walt Whitman Rostow named them broad collective decisions, underlining their unconscious origin⁶.

The representation of Chancellor Merkel as “an obstinate egoist wielding a currency with the same cruelty shown once by those maneuvering tanks”⁷, speaks of prejudices profoundly grounded in the historical past. These diverging long term cultural influences in the two countries can be understood only looking at the history of the international relations between Italy and Germany, as aptly done by Antonio Varsori in the present volume. Varsori clearly epitomizes the central theme of Germany’s relation toward other European countries as the hegemonic threat represented by its extraordinary economic growth and expansionary goals after Unification in the 19th century. Many of the quoted prejudices, attached to the present Chancellor by foreign newspapers, can easily be traced back to the fame of Prussian military or the successive iconography flourished around Nazis (Image 1). This preconception of the German will of power is so ingrained in the public opinion, that it transcends political coloring, and finds expression both in foreign right- and left-wing journals and newspapers (Image 2).

The arena may have changed, from the battlefield to the market, but the perception of Germany remains, even today, that of a country prone on hegemonic control. The lecture given by Paolo Savona of German economic policy during the debt crisis of European partners, in his contribution to this volume, is based mainly on this assumption. “Your recent collective behavior – Savona reproaches Germans – seems to show that, at economic level, you are going again towards the direction

⁶ W. W. ROSTOW, *The Stages of Economic Growth: A Non-Communist Manifesto*, Cambridge, Cambridge University Press, 1990, 15.

⁷ P. BATTISTA, “I fantasmi dell’egemonia tedesca”, *Corriere della Sera*, December 3 2011.

suggested by the Funk Plan of 1936. The economic policy you are proposing lays the foundation for a break-up of the European dream of peace and common civil progress. The Funk Plan provided for Germany to become the country that would put order in Europe. This is what you now suggest”.

Clearly the noun “order” in connection with Germany evokes in Europeans and in the world at large the specter of authoritarianism and imperialism. A particularly erroneous lecture of Germany’s and Merkel’s recent politics, because in Germany, on the contrary, “order”, in connection to economic matters, just hints to *ordo-liberalism*, the economic school of thought that defended the ideal of economic free trade against Keynesian interventionism after the Second World War.

This kind of incomprehension generated, in the midst of the crisis, a dualist interpretation of the Chancellor’s attitude toward Europe. While partners at risk of default viewed her as a cruel stepmother, in Germany Merkel had even been cartooned, in Berlin’s newspaper *Der Tagesspiegel*, as dictatorial in favor of Europe, rescuing southern countries against the interests of Germany (Image 3). An ironic consequence of the persistence of old prejudices.

Image 1: Cartoon from the article *Quanto a lungo* (*Dagospia.com*, May 14 2012)



Image 2: Front page of the newspaper *Il Giornale* (August 3 2012); cover of *The Economist* (September 14 2013)

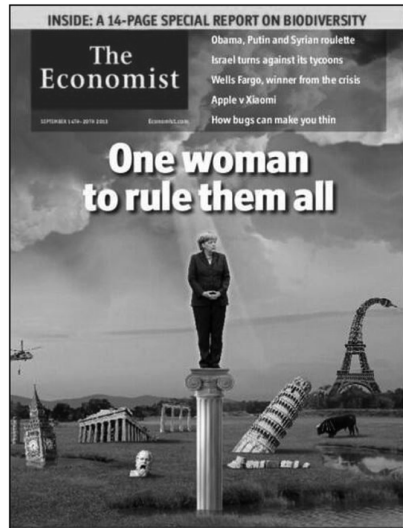


Image 3: Cartoon from *Tagesspiegel*, August 17 2012. Merkel is guiding the tank against the Constitutional Court in Karlsruhe to convince the judges to vote in favor of fiscal compact and ESM

