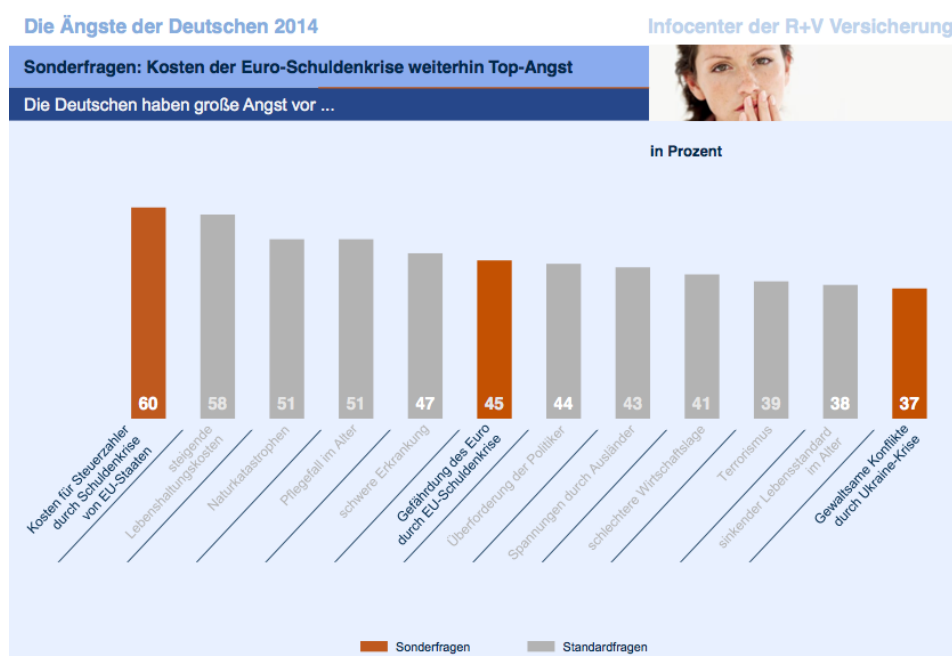


# GERMANS' FEAR OF PAYING THE DEBTS OF OTHER EUROPEANS

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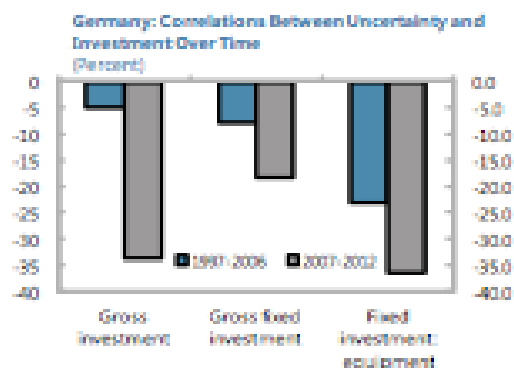
SEP Policy Brief No. 5  
19 September 2014

A poll conducted by a German insurance company (R+V Versicherung) revealed that for two out of three Germans, the worst fear in life is having to pay the debts of other Europeans; worse than war, sickness, natural disasters or inflation. The results of the survey could appear to be the fruit of a special paranoia, but they reflect a phenomenon of political relevance that impacts on the possible solutions for the crisis plaguing the euro area. Aids and financial assistance to Greece will mean losses for all European taxpayers, with the benefit of all exposed banks, including German ones, which were among the most exposed to as creditors of Greece before 2010. But in the “last resort creditor” country, the euro crisis blew fears out of proportion, embedding them into the public language on which media and politics build their consensus and identity. In such a closed arena, when the ECB intervenes to buffer the crisis, it cannot dispel German fears, and instead reinforces group dynamics and conspiracy theories. After the last ECB press conference announcing new lowering of interest rates, for example, some newspapers defined the rate cut as Mario Draghi’s “expropriation” of German savings, a use of words that had hitherto remained confined to the most radical anti European propagandists.



Before liquidating Germany’s lacking spirit of cooperation as miserly, it must be acknowledged that it was the desire to not repeat the past, to inspire, after the war, Germany’s strong ethic of self-sufficiency: living within one’s means is still an ethical code, both at the individual and the collective level. The fear of a past of crimes against humanity, wars, poverty and inflation is the historic reason for Europe, but for Germans it is also the primary source of a culture of austerity that they wish to export to the rest of Europe, in a paradoxical exercise of collective self-sufficiency. The difficulties in understanding each other, between Germans and Italians or the French, is born from the moral ambivalence of the self-responsibility ethic, and its very controversial practical effects. In order to convince the Germans, those who contest the excess of austerity must do so from a position of moral credibility; in other words, they must do their part.

It seems contradictory, but there are enough margins to make it possible, as demonstrated by the interdependence factors that account for the frequent errors in European economic forecasts. For some time, the Monetary Fund has been utilizing the “uncertainty” indicator that shows a strong—although counterintuitive—correlation with investments in Germany: the more the euro is at risk, the less Germans invest domestically.



In the rational choices of economic players, national self-sufficiency falls to the advantages of the economic interdependence of the euro area. However, overpowered by the euro-angst rhetoric, the importance of the economic interdependence of European countries cannot manage to become an element of rational political debate. In fact, the anti-European “Alternative for Germany” (AfD) party has collected new successes in the regional elections in Saxony, Brandenburg and Thuringia, reaching around 10 percent of the electorate. The liberal party’s suicide will strengthen those in the Chancellery who will be tempted to ally with AfD, a group that struggles to keep nostalgic nationalists and xenophobes at a distance. Then again, the entire German political class boasts its success in defending voters from external threats. The relationship with European partners is so lacking in trust that Berlin’s government, despite knowing that it had to stimulate investments in Germany, is researching costly gimmicks to have them financed by insurance companies rather than appearing “Keynesian” to other governments. Those who do not want to understand, can think that the European problem is not a liquidity trap, but the stupidity trap. Instead, the spiraling lack of confidence is a real phenomenon that would require a profound public deliberation. In the end, even President Draghi, in announcing the

most recent credit easing on Thursday, admitted that the sequence of policies should have first seen the concretization of reforms in Italy and France, and then the fiscal or monetary stimuli. German media easily picked up on a contradiction and attributed it to malicious pressure from Paris and Rome. Consequently, Italian political debate on the government's responsibility to enact reforms should take into account European political interdependence, instead of placing blame outside the country.

However, in the German logic of individual responsibility, according to which everyone must stand on their own legs rather than lean on others, there is a very grave intrinsic contradiction. One can discern it by considering the two principles presented in the public appeals of the Bundesbank, which even at this time fuels a widespread anti-European sentiment in German public opinion. The first principle is to keep open the option that any country can fail, such that monetary policy is not dominated by the duty to accommodate for tax purposes. The second principle is to ensure the individual responsibility of the single countries, which would instead cease to exist with the mutualization of debt. Both are principles worthy of great respect. Unfortunately, however, they contradict each other in the euro zone: if one country fails, it affects other countries through no fault of their own. Once again, the euro zone's interdependence presents itself as a regulatory criterion for European society that is more important than self-sufficiency. The fact that an institution as important as the Bundesbank does not understand this reveals a cultural void hidden behind an ethical screen. And each time it manifests itself, this void endangers the credibility of European cooperation.

*This article draws and expand on an article published for "Il Sole 24 Ore"*