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Narratives of Responsibility: German Politics in the Eurozone Crisis

To set the stage for an analysis of the role of Germany in the still ongoing and unsettled debt crisis of the Eurozone, let me start with a brief review of the name-giving phenomenon, the Euro. The Euro is the monetary system of the European Union. It is a regime that, together with the Stability and Growth Pact and various subsequently adopted tools to control fiscal policies and the viability of the banking system of member states, subjects them to a unitary framework of rules with which their monetary, fiscal and trade policies must comply and which also indirectly affects the leeway of their social policies. By joining the Union, all member states (with the by now no longer relevant exception of the UK) have committed themselves to adopting the single currency at some point or to put their national currency into a fixed exchange rate with the Euro, as is the case with Denmark. This commitment to the single currency is binding to all members of the group that have adopted the Euro, the Eurogroup, regardless of the vast differences of their political and institutional traditions, levels of economic development and performance, and economic cultures.

1. The Euro as an ideology

The Euro is also what in the Marxist tradition is called an "ideology": A set of tendentiously mistaken perceptions of socioeconomic realities together with false hopes and promises suggested by the appearances these realities bring forth. As is the case with all ideology, its inter-

ested proponents, i. e. those who stand to benefit from the ideology being near-universally accepted as a valid belief system, must face the risk of a moment of truth when the constitutive misperceptions become manifest and associated hopes frustrated. For a long time prior to the adoption of the Euro regime, experts from outside of the EU, especially from representatives from all schools of economic thought in the USA, have voiced serious yet unheeded warnings that this moment would come sooner rather than later.

What were the promises and hopes, invoked by soothing neologisms of Euro speech such as "inclusion", "cohesion", the "European Social Model" and the "knowledge-based economy", which were invested in the single currency? One guiding idea was that of a "level playing field" that would be created by the pressure applied by the monetary regime on the relatively backward economies in the EU. The Euro was thought of as a wholesome modernizing force that would both incentivize and allow productivity laggards, together with transfers they were granted from EU structural funds (less than one per cent of the EU budget), to improve their level of economic performance so as to gradually approximate the level of the most advanced European economies. It was also thought to be a device to disempower the harsh stability regime that the German Bundesbank had executed over the economy of Europe and to replace it with a more employment-friendly alternative. The hoped-for modernization effect would be achieved by tying the hands of productivity laggards: As long as countries had national currencies and could run their national monetary policies, they were able to adjust to trade imbalances resulting from their competitive disadvantages by the often-used tool of lowering the external value of their currency, thus making exports cheaper and imports more costly. In other words, they could adjust to and live with inferior levels of productivity by modifying the external value of their currencies. Once they adopt the single currency, this option is precluded. The only way to maintain or even increase competitiveness in international trade becomes that of switching from external devaluation to "internal" devaluation, meaning the cut-

ting of state expenditures and labor costs. The key economic variable here is that of *unit costs of labor*, which is a measure of economic performance that relates labor *costs* to labor *productivity*. The other indicator of how well a national economy performs is the ratio of sovereign debt to GDP. As the increase of labor productivity presupposes private and public investment (an adequate volume of which is typically unavailable in the short run), the former – wages, pensions, public services – are typically targeted as the action parameter of policies enhancing competitiveness, which also, in addition to decimating overall demand, typically exacerbates domestic political conflict and jeopardizes political stability. Also, the anticipation of declining demand may well undermine medium term investment. Due to these causal factors, the single currency can make countries economically defenceless within the radically "open" economy of the EU and its institutionalized factor mobility; this is the plain opposite of a "levelling" of the playing field of trade.

As far as national economies such as Germany with their more advanced level of productivity (as well as an institutionalized system of wage moderation) are concerned, the single currency tends to serve their *further* relative advancement. As long as they operate with their national currency, they are subject to a mechanism of automatic punishment from which they are freed under the single currency. For as a country increases its export surplus, the external value of its national currency will appreciate, exported goods become more expensive, foreign sales of exported goods stagnate or decline, and the export surplus becomes self-limiting. Yet not so in the case of exports that are paid for in Euro, given the fact that not every member of the Eurogroup runs a current account surplus in its trade with the world outside the Eurozone. Those who do not will indirectly help the high export performers to escape from the self-limiting effect and allow them to win further export surplus (and the attendant levels of domestic employment and economic growth) that they could never achieve on the basis of their own domestic currency. Again, the Euro sets in motion a dynamic that, in the

absence of adequately sized compensatory counter-action, results in an ever more tilted rather than level playing field: The single currency regime favors highly competitive export-intensive economies and punishes productivity and competitiveness laggards.

A second promise of the single currency was the prospect of the playing field not just becoming more level but as a whole *rising* on a scale of prosperity benefitting all members. This optimistic assumption was based on the expectation that a fully integrated market of some 500 million people with the four freedoms of movement (persons, labor, capital, services) in place and tariffs as well as non-tariff trade barriers regulated away would yield a universally beneficial economic "integration dividend". As market size increases, so do the economies of scale to be reaped. With an increasing division of labor and specialization among national economies, border crossing chains of production, also facilitated by the Schengen open borders regime, would further enhance productivity. The role of the common currency in this scenario would be that of a guarantor of fixed exchange rates, or rather an arrangement that makes exchange rates obsolete within the Eurozone, and hence costs and prices more reliably calculable. While some of this reasoning has become true and while there certainly has been an overall integration dividend (however hard it is to quantify), its distribution has been highly uneven in both space and time. In the middle of the 2010s, the EU has barely recovered from the Great Recession of 2008 and reached, on average, its pre-2008 level of GDP, but overall growth rates continue to decline, the distance between prosperous and backward economic regions within the EU is increasing (as is the income inequality within most member states) and vigorous new impulses are neither in sight nor deemed likely, according to the growing number of expert voices forecasting an age of "secular stagnation"[1]. Real demand in the Eurozone was 2 per cent lower in 2016 than it was in 2008, and total savings by far exceed total investment in the "real" economy, a phenomenon now commonly referred to

[1] Cf. Robert J. Gordon, The Rise and Fall of American Growth, Princeton: Princeton UP 2016

as "savings glut". These sobering trends all have dismal implications for the tax base of national governments and the prospects of coping with sovereign debt, for the employment situation, and for the stability of the Eurozone banking system that suffers from completely unsustainable burdens of non-performing loans.[2]

The two broken promises of the Euro currency regime – its failure to create a level playing field and its failure to advance evenly distributed prosperity gains – have deeply divided the countries and regions of the Eurozone into camps of losers and winners. The clearest case of the former camp is Greece and of the latter Germany. The interaction between the two is hence the focus of the present chapter.

A third idea associated with the adoption of the Euro was that, once established, it would engender a level of confidence of all sides involved – national governments, banks, investors, international commerce, consumers – that would make it permanent and practically irreversible. Irreversible the currency regime has in fact become, if not thanks to its satisfactory performance and fulfilled expectations, but because of the incalculable, at any rate giant and prohibitive risks of any serious move to abandon it, be it by individual member states or the currency area as a whole. There is neither an established and agreed-upon pathway by which a Eurozone member state could exit or be expelled from the Eurozone. Also, the complexities of implementing an exit of one country, to say nothing about the abolition of the entire currency regime of the Euro, are likely to be immensely time-consuming (as the much easier case of Brexit might help to illustrate) and at the same time calling for an overnight *fait accompli* that is needed to forestall speculative moves. Moreover, who would seriously (as opposed to a mere trope of populist propaganda) opt for exiting from the common currency? Probably not the losers of the regime: they would have to devalue their new national currency

[2] This burden is very unequally distributed, with roughly a third of it (360 bn Euro) being shared by the Italian banking system at the end of 2016.

in order to regain competitiveness while their burden of Euro-designated debt would become even heavier as a consequence; also, they would forego the economic advantages of membership mentioned above. If one member were to exit "voluntarily", others would be desperate to convince (including pay) that member to desist from doing so as the spill over effects on others, as mediated by speculative moves of banks, would be seen as potentially pernicious in their adverse consequences. And neither would the winners such as Germany consider leaving the Eurozone due to the indirect export subsidies they obtain from membership. Thus it seems safe to conclude that the Euro is going to stay, if primarily because members are literally trapped[3] in the historically unprecedented arrangement of 19 states having no longer a central bank of their own while one central bank, the ECB, is having no corresponding federal state (yet).

Critics of the Euro regime have convincingly argued that the sequence taken in building it is exactly the inverse of what a rational designer of monetary integration would have recommended. Such a designer would arguably have started with the integration of fiscal policies of member states which would have ended in the installation of a European ministry of finance endowed with its own competencies of taxing, spending and borrowing under authorization of the European Parliament. After such integrated budget is established it could be used to conduct economic and social policies aiming at making the EU fit for the perfectly foreseeable risks of monetary integration. And only after such fitness is assured, the time would be ripe for adopting a common currency. Fiscal, economic and social policy competencies lodged at the level of the EU are an indispensable precondition for making true what in their absence remains a frivolous assumption – the assumption that "one size fits all" and that all Eurozone member states can equally function under a monetary regime that stipulates one and the same *exchange rate*, as well as one and the same *interest rate* for all. As long as the

[3] Cf. Claus Offe, *Europe Entrapped*, 2nd ed. Cambridge: Polity 2016

unit costs of labor are not roughly the same among participating economies, the ones with the more favorable cost structure will push others into a structural current account deficit and a rising indebtedness against which they are defenceless. This is the basis of German economic power: unions' wage moderation, the decline of multi-employer wage bargaining and the tight integration of German industry with low-wage CEE countries[4] plus its above-average labor productivity have together bestowed an advantage[5] to the German economy that its players enjoy at the expense of most other Euro economies, particularly the countries of the southern periphery. This advantage has helped to boost the growth and employment performance of the German economy, causing as a further structural divide a massive migration of skilled manpower ("brain drain") from the periphery to Germany which further undermines prospects of economic recovery of the former.

Seen in this perspective, the Euro can be described a premature and institutionally unembedded creation the control of which is left in the entirely unaccountable hands of the ECB leadership. On top of the economic damages and inequities it has caused, the Euro currency regime had political repercussions which in a number of countries, both in the loser camp and the winner camp, have fundamentally reshaped the configuration of forces at the levels of parties, movements, and voter preferences. The questions being asked in protest and with growing mobilization impact are reciprocal ones. The winners ask why "we" should share

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[4] Hans Kundnani, *The Paradox of German Power*, London: Hurst 2014, 75

[5] The evidence of this advantage is breath-taking indeed: "Germany's total export trade value nearly tripled between 2000 and 2007. Germany's trade surplus with the rest of the EU grew from €46.4 billion to €126.5 billion during those seven years. Germany's bilateral trade surpluses with the peripheral countries are especially revealing: between 2000 and 2007, Greece's annual trade deficit with Germany nearly doubled, from €3 billion to €5.5 billion; Italy's more than doubled, from €9.6 bn to €19.6 bn; Spain's well over doubled, from €11 billion to €27.2 billion; and Portugal's more than quadrupled, from €1 billion to €4.2 billion. German banks played an important role in supplying the credit that drove wage increases in peripheral Eurozone countries like Greece, which in turn produced this divergence in competitiveness and trade surpluses between Germany and these same Eurozone members." https://en.wikipedia.org/wiki/Greek_government-debt_crisis#cite_note-Bloom_edit-316 It must also be noted that taking out credit in these countries was irresistibly cheap, as with the nominal interest rate being the same everywhere, the real interest rate declined with the higher rate of inflation prevailing in the countries of the periphery.

parts of our prosperity gains with the losers, while the latter insist that the former must practice more "solidarity" and burden sharing. Both are united, however, in their protest and opposition against politically inaccessible European institutions, the Commission and the ECB who are held responsible for the unfair and unsustainable distribution of gains and burdens. Yet both sides are in agreement, if mostly only tacitly so and contrary to much anti-Euro sloganeering in public, that the outright dismantling (rather than fixing) the currency regime and the wider institutional framework of the Euro group and EU would amount to a giant negative sum game that would severely hurt all participants. And both sides agree that national "sovereignty" must be reclaimed from "Brussels".

Arguably a further factor working in the same direction of maintaining high levels of German export surpluses yet not directly related to the monetary regime is a consistently export-promoting foreign policy that focuses on East Asia (China) and North America, as well as a stability-obsessed neo-mercantilist fiscal policy that minimizes stimuli for ailing European economies abroad and, in addition, implies deficient infrastructure investment at home. Observers like Kundnani have seen in recent German foreign policy shifts a tendency to turn away from both European and Atlantic commitments in favor of a foreign and trade policy seeking to develop commercial ties to whatever "*Gestaltungsmächte*" ("shaping powers" or "powerful players") may be available, thereby converting its foreign and trade policy from the proclaimed ideal of the country's foreign policy being that of a "civilian" and "normative" power into an indiscriminate "policy of no red lines". "Germany's objectives seemed to narrow from the civilization of international relations to the pursuit of its own prosperity."[6] German governments develop and cultivate trade relations with virtually anyone who is ready to buy German cars (or tanks). Kundnani portrays a normatively hollowed out export-driven foreign

[6] Hans Kundnani, *op.cit.*, 82, 85

policy that is based on "economic nationalism", "export nationalism,"[7] shaping a self-image of Germans as "export champions" (achieving, after all, no less than *twice* the volume of exports relative to GDP compared to China).

2. Moments of truth

A moment of truth occurred in the summer of 2015 when the Eurozone members had to rescue Greece from imminent insolvency the possible spill-over effects of which were deemed a severe menace for the entire Euro currency area. If governments are no longer able to obtain affordable credit which they need in order to fulfil their contractual obligations to employees, suppliers and creditors and/or if banks can no longer pay by their own means what they owe their depositors, a stage of financial precariousness it reached in which the viability of the currency as a whole is at stake. What indisputably needs to be done is to refinance the state and recapitalize banks. A state in such situation faces the death of its politics. If in a TINA situation ("there is no alternative", in this case: to submitting to externally set bailout conditions) the choice of actionable policies is reduced to one, politics is reduced to zero. If that happens, a country is disowned of its politics.

Greece's turbulent summer of 2015 provides compelling evidence of how the European institutions have used their power to nullify the results of a democratic political process in Greece. Here is a brief recapitulation of the time line.[8] On June 25, the "Troika" (the supervisory body consisting of representatives of the ECB, the IMF and the European Commis-

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[7] *Ibid.*, 86, 90;

[8] A detailed account of the dramatic chain of events from the Greek referendum of July 5 to the signing of the bailout package and the third Memorandum of Understanding on August 19, 2015 is in part available at "Greek debt crisis: deal reached after marathon all-night summit - as it happened" http://www.theguardian.com/business/live/2015/jul/12/greek-debt-crisis-eu-leaders-meeting-cancelled-no-deal-live

sion, installed after the adoption of the first Greek bailout program of 2010) specified its harsh austerity conditions for a renewed (third) Greek bailout program. In mid-2015, the country had arrived at a truly dismal economic situation, unparalleled in any advanced country during peace time: GDP was down 25 percent since 2010, unemployment averaged at 26 per cent (with a large part of the unemployed receiving no unemployment and health insurance benefits whatsoever), wages went down by 38 per cent and pensions by 45 per cent. 32 per cent of the population live below the poverty line and the critical ratio of sovereign debt to GDP was approaching 180 per cent. The solvency of Greek banks is threatened by huge amounts of non-performing loans extended to both the public and the private sector.[9]

On June 27, prime minister Tsipras, bravely ignoring the "death of politics" that had occurred already in his country, called a referendum on the bailout conditions, which was held on July 5. 62 per cent of voters rejected those conditions as overburdening and unsustainable. On July 8, Tsipras applied for (by now urgently needed) emergency loans of the European Stability Fund. Contrary to the vote of more than three fifths of voters, Tsipras had no option but to accept the terms of a third bailout package during the decisive negotiations that took place for 17 hours in the Euro group in the night of July 12 in Brussels. This package provided for conditions which are even considerably *harsher* than those rejected by Greeks in the referendum. They stipulated further spending cuts (among other things concerning pensions), the raising of indirect taxes designed to achieve a "primary" budget (the budget net of debt service) surplus of 3,5 per cent of GDP by 2018, large scale privatization of state-owned assets as well as a detailed schedule specifying which liberalizing reform legislation must pass the Greek par-

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[9]The following section uses materials from the introductory chapter of Claus Offe and Ulrich K. Preuss, *Citizens in Europe. Essays on Democracy, Constitutionalism and European Integration*, Colchester: ECPR Press 2016

"According to some estimates, there are around 320.000 families in Greece that are not paying down their mortgages and obviously these bad loans are dead weights for the banking system." Marcello Minenna, "New Countdown For Greece: A Bank Bail-in Is Looming" http://www.socialeurope.eu/2015/11/new-countdown-for-greece-a-bank-bail-in-is-looming/

liament within days or weeks, respectively.[10] Moreover, the Greek government "commits to consult and agree with the European Commission" on every step of this legislative agenda, practically handing over Greek law-making powers to a non-elected body in Brussels. Jürgen Habermas rightly speaks of this exercise of raw power as a "de facto relegation of a member state to the status of a protectorate [that] openly contradicts the democratic principles of the European Union".[11] The two components of this blackmail operation were (a) the Commission dictating the legislative agenda *and decisions* of the Greek parliament (which was given two days to pass the required legislation!) by (b) forcing prime minister Tsipras to perform a plain U-turn[12] regarding the majority will the Greek electorate had expressed - and Tsipras had strongly advocated - just a week prior to the negotiations of July 12. "Ten days after 62 per cent of the voters rejected the terms of a harsh bail-out package, the country's parliament voted with clenched teeth for an even tougher set of reforms."[13]

How could this brutal act of overpowering the declared will of the Greek people succeed? When submitting to *power* (as opposed to force or coercion), the less powerful party in a conflict makes a *choice* opting for the "lesser evil" among two or more alternatives which were

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[10] Cf. "Greece debt agreement: the Eurozone summit statement", http://www.theguardian.com/business/2015/jul/13/greece-debt-agreement-eurozone-summit-statement; subsequent negotiations resulted in a detailed "Memorandum of Understanding between the European Commission ... and the Hellenic Republic", signed by Greek government and its European creditors on August 19, 2015:

http://ec.europa.eu/economy_finance/assistance_eu_ms/greek_loan_facility/pdf/01_mou_20150811_en.pdf

[11] cf. http://www.theguardian.com/commentisfree/2015/jul/16/jurgen-habermas-eu-greece-debt-deal

[12] ... for the performing of which he was then widely ridiculed in the German media as an unreliable and erratic character!

[13] http://www.economist.com/news/europe/21657836-chastened-nation-and-its-leader-face-more-hard-choices-rage-resignation

presented to it by the more powerful player. The latter exploits a condition of asymmetrical dependency for serving its own interests: Trivially, Greece depends more strongly on the ECB and the other Eurogroup members than these depend on Greece. The logic of the situation was the following: As Greece needed to obtain financial assistance from the EU in order to prevent an imminent meltdown of its banking sector (and, as a consequence, its entire economy), the country's population and its government were given the choice between being politically expropriated (deprived of the "ownership" of even its legislative agenda, let alone sovereignty) and being instantaneously plunged into an economic disaster. "Germany wants Greece to choose between economic collapse and leaving the Eurozone."[14] Or , as prime minister Tsipras put it in the debate of the Greek parliament on July 15, 2015, Greeks had been given a choice between "waging an unfair battle" and "handing in their weapons."[15] Yet the negotiators on the other side of the bargaining table had also to worry about the consequences of the latter alternative being realized, that of Greece leaving the currency area, an alternative which left Greece with some minimal leverage.

These worries of Euro group negotiators were twofold. On the one side, the appearance and subsequent reputational and political damage was to be avoided that negative economic consequences for Greece were caused by the pressure exercised by the majority of Eurozone

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[14] Barry Eichengreen, "Saving Greece, Saving Europe", http://www.socialeurope.eu/2015/07/saving-greece-saving-europe/

[15] *The Economist*, July 18, 2015, "From Rage to Resignation", http://www.economist.com/news/europe/21657836-chastened-nation-and-its-leader-face-more-hard-choices-rage-resignation

members that sided with Germany[16]. As the FAZ warned[17] "from the German perspective it is extremely important, and it is to be feared more than anything else, to be seen at the end of the day as the one who has kicked Greece out of the Eurozone." [author's translation] Whatever cruelty was to be performed, the hands of its perpetrator must be seen as free of blood. On the other side, a "Grexit" (or, even more so, a "Graccident" in the form of an unregulated implosion of the Greek banking system and economy with all its unpredictable spillover effects) might have consequences that affected, through contagion or a domino effect, other members of the Eurozone, thus bringing the entire Euro system into jeopardy -- an outcome and potential self-inflicted economic damage for which the protagonists of a tough approach to the bailout conditions would have had to anticipate blame. Given this dilemma, and also given the fact that the vast and deepening problems of the Greek economy could not possibly be solved, for legal reasons and because of the statutory irreversibility of the common currency[18], by simply expelling the country from the Eurozone, the actual pressure used against the Greek negotiators had to be *disguised* so as to make the deal look like a voluntary agreement.

It is these two worries that appear to have motivated the German minister of finance to draft and circulate among Eurogroup negotiators (as well as leaking it to the media), one day prior to the negotiations scheduled for the evening of July 12, the unprecedented suggestion to re-

[16] After the end of the 17 hours of negotiations of July 12-13, Italian prime minister Renzi is reported by Reuters news agency to have angrily remarked about the behavior of German negotiators: "Enough is enough! The German government has to compromise and not humiliate Athens. Humiliating a European partner after Greece has given up on just about everything is unthinkable." cf. http://www.reuters.com/article/2015/07/12/us-eurozone-greece-renzi-idUSKCN0PM08320150712#rlWEidm-qjQC9999z.99

[17] in its edition of May 23, 2015, p. 22

[18] The Treaties do not provide for a procedure that allows a country to leave the Eurozone without leaving the EU altogether according to Art. 50 TEU. The initiative for the latter step must be taken by country that wishes to leave, not by the countries remaining members of the EU.

solve on a procedure of a "temporary Grexit", i. e. the creation of an option for Greece to leave the common currency zone for a period of five (or more) years with the (entirely unrealistic) option of re-entry at a later point.[19] Greece's making use of this option was actually incentivized in Schäuble's proposal so as to make it tempting and to create the appearance of a completely voluntary and worthwhile move. This was done by the promise attached to it of technical, humanitarian and other assistance, as well as other gestures of "generosity" extended to the country if only it accepted the leave offered to it. Yet had the Greek government actually accepted this poisonous gift, it would have instantaneously relieved Schäuble and the other negotiators of the two above worries: It would have endorsed the appearance of German generosity, confirmed the narrative of a *voluntary* exit, and insulated the Euro system as a whole from the Greek crisis and the menace of spillover effects. Moreover, it would have taught a lesson to whoever might be tempted to emulate the Greek mistake of "excessive" indebtedness as well as that of voting into office a “radical” leftist government. It would also have camouflaged the exercise of power, making its outcome appear as a freely adopted mutual agreement. Yet it would also have been an act, on the part of the Greek authorities, of causing near-suicidal damage to their country: For it would have cut off the country from European structural funds (worth transfers of five billion Euros p. a.) and it would have necessitated the adoption of a heavily devalued national currency with the effect of substantially increasing the country's - Euro-denominated and hence entirely unsustainable - debt burden. Given this configuration of alternatives, the choice Greek negotiators made was understandably and rationally the option of submitting to the power of blackmail.

In retrospect, this outcome is criticized on two counts: for being *illegitimate* as to its mode of coming into being and for being *ineffective* concerning its promise to solve the problems of the Greek economic, fiscal and debt crises in any durable fashion. As to its legitimacy (its ca-

[19] cf. http://www.faz.net/aktuell/wirtschaft/eurokrise/griechenland/eurofinanzminister-treffen-s-chaeuble-bringt-grexit-auf-zeit-ins-gespraech-13697851.html

pacity to oblige compliance on normative grounds, that is), the following objections continue to be raised.[20] In response to its request for "stability support" addressed to the European Stability Mechanism on July 8, the Greek government was offered a third "Memorandum of Understanding" (MoU) that specified on its 32 pages no less than 48 legislative measures the Greek authorities would have to adopt by which month and year during the period of 2015 to 2017. This "extraordinarily detailed list" (*The Guardian*) implied that legislative powers in the areas of fiscal policy, the financial system, economic policy (including matters such as the mandatory opening hours of milk and bread stores), and the modernization of all major branches of public administration were practically to be ceded to the Commission and agencies (such as the International Labor Office and the OECD) the Commission has endowed in the Memorandum with advisory and supervisory roles. In general, it was stated that the Greek government must "commit to consult and agree with the European Commission ... on all actions relevant for the achievement of the objectives of the Memorandum ... before these are finalized and legally adopted."[21]

Unsparingly, this wholesale usurpation of Greek law-making authorities by EU institutions met with the objection, in Greece itself and far beyond, that it amounts to a massive violation of the democratic principles on which the EU is supposedly built. Moreover, the politically

[20] In the following points on this dual failure, I rely in part on the findings of a commission of experts set up by the President of the Hellenic Parliament in early 2015. These findings of the *Truth Committee on Public Debt* are contained in its *Preliminary Report* of June 2015:

http://www.auditoriacidada.org.br/wp-content/uploads/2014/06/Report-Greek-Truth-Committee.pdf

and its final report *Illegitimacy, Illegality, Odiousness and Unsustainability of the August 2015 MoU and Loan Agreement*, published on Oct. 4, 2015:

http://www.hellenicparliament.gr/UserFiles/8158407a-fc31-4ff2-a8d3-433701dbe6d4/7AEBEF78-DE85-4AB3-98BE-495803F85BF6Mnimonio_ENG_1.pdf

[21] MoU, *loc. cit.* p. 4

non-accountable EU agencies who have authored the list of conditions that Greece must fulfill in exchange for a loan of 86 billion Euro for a period of three years vindicate themselves, by implication, the paternalistic wisdom to have established two interrelated truths. First, the truth that the fully compliant implementation of the letter of the MoU will be compatible with *political* stability within Greece; second, that such implementation will be conducive to the *economic* recovery of Greece and its social, economic and fiscal viability. Both of these propositions, however, are being vehemently contested, and for good reasons.

As to the first, it relates to the issue of legitimacy. The MoU is criticized for being in outright violation of the Greek people's sovereignty and self-determination. Given the political will expressed in the referendum of July 2, it is deemed "inconceivable that any circumvention of the referendum outcome can ever be 'in the interest of the Greek people.'"[22] Moreover, an implied violation of human rights (such as the right to universally affordable health services) is seen by critics in the specification of the MoU concerning fees to be collected by hospitals. Legitimacy complaints have also been raised concerning the attempted blackmail stemming from members of the ECB Governing Council concerning a discontinuation of the ECB's emergency assistance as well as the threats of a "temporary Grexit" coming from the German minister of finance. At a level of principle, the question is being raised as to why, in case a debtor turns out to be insolvent and the respective loan "non-performing", the problem must be solved at the expense of the *debtor*, while the *creditor* (private banks who obviously have entered into a risky lending transaction while having been given reasons to anticipate that they would be bailed out at a third party's expense) does not suffer any damage. To the extent this argument from fairness is valid, it would result in a justified demand for debt repudiation.

Finally, as to the issues of effectiveness, the assumed conduciveness of legislative measures imposed upon Greece (austerity, deregulation, privatization of state-owned assets) to the eco-

[22] *Illegitimacy..., op. cit.*, p. 7

nomic recovery of the country is wide open to question. Being the third MoU since 2010, one might have expected the Commission and its experts to have learned from the plain and evident counter-productivity of the two previous editions of a trade of loans for austerity measures and sacrifice of sovereignty. The above-quoted indicators of the condition the Greek economy found itself in in 2015 should have provided ample evidence of the counterproductive effect of the previous programs. According to Christine Lagarde, the IMF's Managing Director, Greece's debt has become unsustainable ... Greece cannot restore debt sustainability solely through actions of its own. ... Greece's debt ... is expected to peak at close to 200 per cent of GDP in the next two years. ... Greece's debt can now only be made sustainable through debt relief measures that go far beyond what Europe has been willing to consider so far."[23] If that is so, the very term "debt", used as a designation of the total of funds that have been transferred to Greece by private and public lenders under the expectation that they will be paid back, turns out to be nothing but a mendacious misnomer, invented and used for the purpose of demolishing the economic fates of an EU member state while buying (at most) three years' worth of time[24] before the issue is likely to be on the table again. The widely used cynical slogan is "extend [transfers] and pretend [it is debt]", a formula that has, for a while, helped to keep domestic protest in creditor countries at bay.

3. *Three features of German Power*

[23] IMF statement of July 14, 2015, available at https://goo.gl/hMdL4p

[24] Cf. Wolfgang Streeck, *Buying Time: The Delayed Crisis of Democratic Capitalism*, London: Verso 2014

"Germany is widely perceived to be calling the shots in Europe's sovereign debt crisis management."[25] This perception of Germany as the most powerful actor in the EU[26] derives primarily from its economic resources which are, by all relevant indicators, superior to any other member state in the middle of the second decade of the 21st century. The country occupies top positions in terms of its GDP, its credibility in financial markets and the most favorable 10-year bonds yield, the export intensity of its economy and hence its current account surplus. Its sovereign debt relative to GDP, while still violating Maastricht rules, is below the average of Eurozone members. Germany is also seen as the most powerful EU actor in terms of its institutional position. As the biggest country in terms of population, it enjoys a *de facto* veto power in the Council. Many observers agree that these power resources become effective through *reputational* mechanisms and informal[27] ways. That is to say, German members of European institutions do not have to actually deploy these resources in the making of credible threats and promises. Rather, they can rely on Germany's possession of these resources *being known* to all others and therefore, in line with the "law of anticipated reaction", do not need to be explicitly activated. "The essence of member state power lies in anticipation, in the perception of strength, preference, options and partners of one actor in the eyes of others."[28] Germany's power position was far from a "unilateral power grab"; rather, its "pre-

[25] Josef Janning, „State Power within European Integration" https://www.google.at/search?q=janning+state+power&ie=utf-8&oe=utf-8&client=firefox-b-ab&gfe_rd=cr&ei=B4oQWMK7B4HN8geop4wY

[26] The relevant data are summarized in Magnus Gregor Schoeller, Explaining Political Leadership. The Role of Germany and the EU Institutions in Eurozone Crisis Management, European University Institute, Florence: unpubl. PhD thesis 2016, 107-113; see also *idem*, "Providing political leadership? Three case studies on Germany's ambiguous role in the eurozone crisis", http://www.tandfonline.com/doi/abs/10.1080/13501763.2016.1146325?journalCode=rjpp20)

[27] Susan Watkins speaks of the "new, informal polity of post-2011 Europe" with an "entirely extra-constitutional role of the German Chancellor". Cf. *idem*, "The Political State of the Union", *New Left Review* 90. Dec 2014, 21, 20

[28] Janning, *op. cit.*, 6

ponderance since 2011 rests …on a tacit recognition by the other states that the investors and the US Treasury see the German Chancellor as executive head of Europe.” [29]

A second feature of the peculiar way in which German power resources have been deployed is its tendency to avoid and delay action, to maintain rather than change the status quo, to deny the need for collective action, to always declare concessions as an *ultima ratio* and to relate fearfully defensively to the allegedly misguided activism of others. The logic of this pattern is simple: if you are in a position of strength, you can afford to drag your feet and engage in agenda-building through “non-decisions” and inaction.[30] Many commentators and observers have focused on the German governments tendency to refuse to put its political resources to constructive use in a role of leadership. As leadership has both costs and benefits, German political elites, sometimes cheaply and conveniently hiding behind the burdened history of Nazi Germany in Europe, seem to have determined that the costs of leadership – defined as the readiness to solve EU-wide collective action problems through enabling and motivating others to contribute to some common good[31] - exceed its benefits. If an actor is are actively intervening, he is visible as an actor and exposes himself to demands and criticism; if you opt for inaction, procrastination and negative agenda-building through gate-keeping, for an attitude of “wait and see” and for indifferently “letting things happen”, you are much less visible as an agent causally contributing to the outcome seemingly attribtable the the anonymous operation of "the markets". As in court cases were a defendant is accused of “criminal neglect”, a *failure* to act is much more difficult to prove and to attribute to concrete agents than overt action, as such attribution of wrongdoing presupposes both the stipulation

[29] Susan Watkins, “The Political State of the Union”, *New Left Review* 90, Nov-Dec 2014, 13, 15

[30] Schoeller, *op. cit.*, 79-100

[31] See the classical analysis of Charles P. Kindleberger, “Dominance and Leadership in the International Economy. Exploitation, Public Goods, and Free Rides, International Studies Quarterly, 25 (1981), 242-254

of a *duty* to act and the specification of *whose* duty it would have been. Consistent inaction makes both of these questions virtually to answer.

In an official address he delivered in Berlin in 2011, the Polish foreign minister Radek Sikorski pointed out that Germany is the biggest beneficiary of the Euro and has “the biggest obligation to make [it] sustainable.” He appeals to the German government that it may recognize and fulfill this obligation: “I fear German power less than I am beginning to fear German inactivity… You have become Europe’s indispensable nation . . .You may not fail to lead. Not dominate, but to lead to reform.”[32] Yet such appeals have consistently fallen on deaf ears in Berlin. The response of German political leaders has been unequivocal ever since: Germany will not be the “paymaster of Europe”, certainly not so under the domestic threat of a risng anti-EU populist Right that has made its appearance in Germany, too.

Throughout most of the year 2015 when the need for a third “assistance package” for Greece became evident, the German government found itself in a complex strategic situation that can be summarized as an asymmetrical deal-making between the majority of 18 Eurozone members on the one side and an isolated and acutely debt-ridden Greece on the other. The only shared interest of both sides was to maintain the viability of the currency regime through a negotiated outcome that would prevent spill-over effects from the Greek debt and banking crisis to the Eurozone as a whole and which could also be expected to provide for a consolidation of the precarious political stability of the country.

What also played a role is the fact that domestic constituencies of the creditor states had grown very sensitive to a perceived transfer of “our” tax money to Greece and other "deficit states". The interest of the Greek side, which was completely isolated from the others, was to obtain concessions which included an (at least partial) debt forgiveness significant enough to generate prospects for the recovery of the Greek public finance, banking system and overall

[32] Radoslaw Sikorski, *Financial Times*, Nov. 28, 2011: https://www.ft.com/content/b753cb42-19b3-11e1-ba5d-00144feabdc0

economy. The interest of the other Eurozone negotiators was to minimize the volume of their credit assistance and risks involved in the final deal and to maximize, as a conditionality attached, the control over all aspects of the Greek policy and economy. The puzzle was (and remains) unresolved: Is there a way to prevent contagion and eventual breakdown of the currency while still avoiding an outright transfer union as it is explicitly proscribed by Art. 125 of TFEU? For the time being, the deal was one of emergency credit in exchange for a sacrifice of sovereignty. All of these interests had to be reconciled under immense time pressure, as Greek banks were already operating on ECB-provided credit and as adverse reactions from the financial markets concerning other deficit countries were deemed imminent.

All participants in the negotiation must have been aware of the two features of the German role discussed above: German veto power and German refusal to play a leadership role in the sense specified.[33] The reason why German negotiators could get away with this set of strategic attitudes, both in relation to their fellow Eurozone negotiators and their domestic constituency must be seen, or so I want to argue, in a third feature of German power, namely a distinctively German *repertoire of frames and narratives* concerning the nature of the conflict and the responsibilities of the two sides involved in it. This repertoire served as a powerful means of immunization against critical objections and *blame avoidance*; and provided the good conscience that actors need when engaging in a strategy that is both brutal in its foreseeable impact on others and counterproductive concerning all interests involved.

4. *Narratives of responsibility*

How did the problem on the table come into being in the first place? In social science terminology, answers can be framed in terms of agency theory or, alternatively, in terms of an insti-

[33] Two candid statements of Chancellor Merkel put the matter into a nutshell. "Without us, against us can and will there be no decision which is economically viable." (author's translation). "To me, the concept of hegemony is completely foreign." Quoted after Siegfried Schieder, "Zwischen Führungsanspruch und Wirklichkeit: Deutschlands Rolle in der Eurozone", *Leviathan* vol. 42, no. 2, 363-397, 364

tutionalist or structuralist theory – in terms of *decisions* that actors take and institutional *rules* that apply to them. Powerful winners will typically be inclined to opt for an agency-focused interpretation of the dismal situation and its origins, while losers have reasons to rely on narratives centered on faulty institutions, adverse conditions and rigid structures that are beyond their control and for the impact of which they therefore cannot be held responsible. The German-Greek conflict in the clear-cut case of a clash of these two frames. The former tends to equate observed outcomes with intentionally chosen or accepted ones, while the latter claim that we had no choice as the cards were stacked against us.

The structure of the conversation between the two sides, Greece and Germany, can be modelled as follows. The German accusation levelled at the Greek side is that "You have decided to break the rules that apply to all of us and now you must be held responsible!". To which the Greek response is: "You have decided to adopt and rigorously enforce rules our compliance with which would break our neck!". These two narratives apply to the upstream aspect of the situation: how it came into being . As to the downstream perspective applying to the future, the patterns of argument preferred by the two sides are exactly inverted. The powerful side says: "In your own interest, you must return to the strict observance of the rules!", whereas the losers respond: "You must, for the time being, decide to forget about the rules and grant an exception (in the form of a far-reaching debt relief)[34] until all of us have decided upon a more workable set of new rules!".

[34] In fact, at the height of the crisis in June 2015, Greek finance minister Varoufakis addressed the German side with a frame of what might be called moralizing voluntarism. He reminded his German counterpart of a speech the US Secretary of State James F. Byrnes gave in Stuttgart on September 6, 1946. It was a "speech of hope" telling the defeated Germans that they no longer had to fear the harsh Morgenthau plan of punitive de-industrialization, promising them instead that their recovery would be assisted and promoted by the victorious US. Foreshadowing the Marshall plan (effective in 1948) and the role of West Germany as an indispensable ally in the upcoming Cold War, Byrnes speech marked a turning point towards the dramatic recovery of the 50ies. The analogy Varoufakis wishes to suggest is obvious: "Germans", he says, "could not have staged their magnificent post-war renaissance without the support signified by the 'Speech of Hope.'" Why does not Angela Merkel, after all the benefits with which Germany and all of Western Europe were blessed as an effect of American magnanimity, now show the same attitude and deliver an analogous "speech of hope" to the Greek people?

The plight of the Greek economy is in the dominant German perspective depicted as a matter of (mistaken) *choices* having been made by Greek actors, while in the dominant Greek perspective it is a matter of ill-construed rules and factual constraints which do not allow for making choices in the first place. In what follows, I shall concentrate on the German side of this conversation and only briefly refer to the Greek side at the end.

The core claim of the German side and its agency-focused frame (or "epistemic regime") is that the institutional rules are not the problem. As they have served the proponents of this side so well, rules are being reified and "naturalized" – taken for granted as unfailingly just and beneficial. The problem is some actors' failure to follow them. If they are followed, a viable social order will result. The authority of rules derives from the fact that they have been agreed upon. Some rules, such as the rule that you cannot permanently live beyond your means or that debtors must be coerced, if need be, to pay back what they owe their creditors are so evidently and universally valid that they do not even require the explicit prior consent of those to whom they apply. If social order shows signs of breaking down, it follows that this must be due to the fact that certain actors have failed to follow the rules. Excuses that particular rules are superfluous or need reform or revision in order to perform their purpose of creating order or that they were unsuited for that purpose in the first place or that actors have not voluntarily committed themselves to following those rules or that rules differ according to the cultures and traditions in which they are rooted or that rules are inherently unfair are all inadmissible. Keeping to the rules is virtuous, and their violation a clear sign of moral inferiority or of a personality defect, be it of individuals or of entire populations of nations. Wherever disturbances of the normal, rule-bound course of affairs emerge, its causes are to be assumed to be found on the spot, not in mechanisms of long-distance-causation extending in space or time. If someone is found to have violated rules, such violation must be

appropriately sanctioned.[35] Unless it is sanctioned and thereby effectively deterred, “moral hazard” is feared to set in, namely an invitation of the violator to repeat the rule-breaking behavior or a temptation of others to imitate his violations. Every single one of these tenets will not only be seen as a sign of virtue; it will, moreover, be rewarded by material and other kinds of success. These are key elements of what I call the ordo-liberal mindset that is deeply ingrained in the German culture of social and economic thought and the policy-making that derives from it. The folklore of the ordo-liberal mindset is supported by two equivocations which are built into German everyday parlance. One is the equivocation of the moral economy of the (family) household (*Haushalt*) with that of a legislated state budget. The other is the suggestive equation of guilt (*Schuld*) with debt (*Schulden*), with the latter term easily being mistaken for a plural of the former.[36]

Somewhat more sophisticated than this rough account is “ordo liberalism”, the normative theory which fully conforms to these intuitions of economic morality. The starting point of the theory, as it was elaborated by the Freiburg School of economics in the post WWII years, is the need for a fixed set of rules (an “economic constitution”), including rules of stability oriented monetary policy and rules enforcing competition, is all that is required for the sake of prosperity and economic justice. Once this order is in place, discretionary state intervention becomes both unnecessary and positively detrimental. “Ordo liberalism is pre-eminently an ideological hybrid that appeals to creditor-state interests. It celebrates the virtues of thrift, dis-

[35] The emphasis is on “appropriately”. The enforcer can to some extent be blame-sensitive and has an interest in blame avoidance, i. e. in not being seen by others as applying disproportionately brutal sanctions. Blame avoidance is also described as a driving motive of the ECB. "The ECB's decision to grant Greece's banks just enough funds to see them through the end of the day is part of a broader strategy to avoid having blood on its hands." (*Financial Times*, June 24, 2015, p. 4) As the damage to the German government’s reputation that it inflicted upon itself by insisting on tough conditions to be imposed on the Greek side in the July 2015 negotiations became evident (Renzi: “enough is enough!”), the German chancellor arguably tried to make good on this damage by her ostentatiously generous gesture to open German borders to refugees in early September of 2015.

[36] Cf. Claus Offe, *op. cit.,* ch. 8

cipline, and self-reliance that [Germans] like to attribute to themselves."[37] After having been the dominant ideology of the period of Germany's "economic miracle" in the 50ies, it "provides a valued self-image of how Germans like to be seen. … It offers a sense of identity that makes Germans feel proud in the wider world."[38] The debt brake, the Macroeconomic Imbalance Procedure with its one-sided adjustment pressure applied on deficit countries as opposed to export countries and on debtors as opposed to creditors more generally, as well as the banking union with its emphasis on the supervisory mechanism are components of the EU policy tool box. They all derive directly from the economic policy doctrine of ordo liberalism which has become sufficiently hegemonic throughout the EU to by and large isolate the Greek finance minister Varoufakis in the negotiations of July 2015, while the ECB with its somewhat adventurous monetary policy innovations remained increasingly immune from the doctrine.

General policy prescriptions of this doctrine are clear enough. Roughly, they include the following items:

- current account surplus from international trade, presently (2016) amounting to more than eight per cent of German GDP, are an unambiguous indicator of "our" industriousness and competitive superiority, rightly rewarded by markets of international commerce; they should not be seen as "imbalances" detrimental to others;

- inflation must always be minimized, regardless of its possible consequences for deepening a recession, in order to achieve economic and political stability;

- public as well as private indebtedness is to be avoided and budgets must be balanced, as debt is both an indicator (in public and private life alike) of imprudence and questionable

[37] Kenneth Dyson, „The Ordo-liberal Tradition: Germany and the Paradox of Creditor-State Power in the Euro Area", Cardiff University: unpubl. Ms., 8

[38] *ibid.*

moral fibre of debtors; if sovereign debt occurs, it should, following Art. 125 of TFEU, under no circumstances be mutualized through Euro bonds and the like, as that would give rise to moral hazard;

- instead, budgetary imbalances must be remedied through the austerity practice of "expenditure discipline" and, if need be, through raising indirect (i. e. regressive) tax rates, not through increasing revenues from direct taxation of income or wealth, as these would damage business confidence and competitiveness;

- political democracy, particularly if it is combined with confrontational patterns of wage bargaining (as opposed to trade unions' prudential practice of wage restraint) is public debt-prone and must, to an extent, be curbed so as to yield a "market-conforming" budgetary process[39];

- rules (such as those laid down in the Maastricht and Lisbon Treaties) are to be strictly observed and violation is to be sanctioned.

These "truths" are significant for both of what they prescribe as “virtuous” policies and what they proscribe as heretic and dangerous ideas. The latter include the thought that creditors (and not just debtors)[40] must sometimes bear the risk involved in lending and pay for it in terms of "haircuts" and “bail-in” losses; the thought that an export surplus cannot just benefit the exporting economy but simultaneously inflict damage on others; the thought that it can be normatively as questionable to spend "below" one's means as it is considered questionable to

[39] On September 2, 2011, Chancellor Merkel stated in an interview: "We live in a democracy which is a parliamentary democracy and therefore the right to pass the budget is a core right of the parliament and thus we'll find ways to design parliamentary codetermination in ways which still are conforming to markets." (My literal translation, CO). The careless grammar and nebulous reasoning of this statement are indicative of her appealing to a deep truth that is being summarily invoked here rather than argued for.

[40] As James Galbraith observed: “Reckless borrowers are always matched by reckless lenders”. See https://www.socialeurope.eu/2015/06/bad-faith-why-real-debt-relief-is-not-on-the-table-for-greece/

spend "beyond" one's means; the thought that inflation can well be desirable in a deflationary context, as it can incentivize time preferences of investors and consumers ("better buy today than wait") and as it, in addition, alleviates the burdens of debtors; the thought (as well as ample and incontrovertible evidence) that austerity imposed upon the losers in international competitiveness and violators of Maastricht criteria does not improve but, to the contrary, is bound to make worse their position in terms of public debt relative to GDP; and, above all, the thought that the adoption of the above macroeconomic "truths" and corresponding policies must be left to the democratic institutions of member states (or to a future fully democratized EU) rather than being imposed upon them by practices of paternalistic conditionalism, often perceived by target states and populations as acts of outright blackmail or "foreign rule".

Once this set of normative postulates, intuitions as well as positive and negative policy prescriptions has become ingrained in everyday common-sense assumptions of policy makers, "experts", journalists and ordinary citizens about the nature of social and economic life, it serves as an armory of ideological warfare and interpretive struggles that target losers and blames victims. How pervasively these ideas have impregnated the German crisis discourse became evident in the fact that a nearly unison barrage of these normative claims were aimed at Greece, its people and its political elites alike, throughout the crisis in the German media ("quality" and otherwise), by German political elites and by representative speakers of economic science.[41] All these epistemic rulers of public knowledge and dominant narratives have been forcing themselves into line during the years of the Greek debt crisis in a probably unprecedented fashion. Vehement terms of reproach and outright insults ("gambler", "debt sin-

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[41] Cf. an exhaustive documentation in the manuscript of a public radio program broadcast on October 2, 2015: Brigitte Baetz, „Das TINA-Syndrom. Die Griechenland-Krise in den deutschen Medien", available at

http://www.deutschlandfunk.de/skript-das-tina-syndrom-pdf-datei.media.f25cd999a9c9ceabfc2e-be4fb733aee9.pdf

ner", "scoundrel", "blackmailer", "defrauder", "ghost driver" etc.) were routinely hurled by the media at widely ridiculed Greek politicians as well as the Greek population as a whole, in humiliating ways that defy standards of civilized dispute otherwise widely observed in interaction among member states. "Why do we pay luxury pensions for the Greeks?" asked the BILD tabloid in line with a consolidated consensus by the German public – ignoring the facts that (a) "we" did not "pay" a penny so far and that (b) pensions in Greece are the only social security transfer that does not terminate, unlike health and unemployment insurance, after one (!) year of a person having become unemployed and which, in a large number of cases, constitutes the only source of income not just of pensioners, but of their unemployed children and dependent grandchildren as well. The question was hardly ever asked in public whether the case of non-performing loans might perhaps be due to inconsiderate *lending* (that private banks have possibly engaged in because they could rely on being bailed out if things went wrong), not exclusively to frivolous *borrowing*. And neither bothered any of the mainstream commentators to reflect on whether the draconic punishments imposed upon the Greek economy – cuts of wages and pensions, harsh austerity targets, deregulations of labor law, privatization of assets at fire sale prices – were sure to render the crisis a permanent one due to giant demand gaps rather than helping to overcome it. A milder version of the German crisis discourse consisted in paternalistic and patronizing offers of advice how to run an economy successfully and responsibly, as well as exhortations that "you" better imitate German templates of how to do things right. These pieces of advice ignored the simple truth that "the Eurozone as a whole cannot become more like Germany. Germany could only be like Germany because the other countries were not."[42]

[42] Matthias Matthijs and Mark Blyth, "Why only Germany can fix the Euro: Reading Kindleberger in Berlin", Foreign Affairs 2011, available at https://www.foreignaffairs.com/articles/germany/2011-11-17/why-only-germany-can-fix-euro

To be sure, the outburst of denunciatory rhetoric and punitive strings attached to the program "agreed upon" (if that is the right term) by the Greek prime minister in July 2015 was not just addressed to Greek elites and voters. It was also intended to demonstrate to others, namely countries like Portugal, Spain and Italy and their citizenry, what would happen to them in case they allowed themselves to fall into a similarly precarious situation of insolvency. And the policy, as well as its concomitant narrative of Greeks as lazy spendthrifts deserving to be taught a severe lesson, was also addressed to the German constituency that had grown increasingly wary, under the impact of rightist populist propaganda of the new party AfD ("Alternative for Germany"), founded in 2013, gaining electoral strength, that the government overly generously spends "our" tax money on some morally unworthy southern country. The domestic constituency was of course largely kept unaware of the facts that (a) it was *credits* that was at stake, while not a single Euro had been *transferred* so far, (b) that the major portion of the credits granted to Greece in the previous two "rescue" programs were intended to rescue not anyone in Greece but dangerously exposed German and French banks, (c) that the 86 bn. Euro of further credit provided by the 2015 program was intended to prevent contagion (i. e., depositors starting a bank run in other countries, creditor banks increasing the spread applying to other debtor countries) and that (d) Germany had actually reaped a very substantial benefit[43] from the Greek debt crisis.

I hope to have shown how problematic, in both analytical and normative terms, the implications can be if we rely on categories of agency in order to make sense of complex socioeconomic processes and outcomes such as the Greek debt crisis and the conflicts to which it has

[43] On August 10, 2015, the Leibniz Institute for Economic Research in Halle published the results of a simulation study which found that due to the massive „flight to safety" of Greek capital into German banks the yield of German government bonds had decreased by 3 percent over a period of five years. This translates into a gain of "at least 100 bn Euros" – considerably more than what Germany would stand to lose in case Greece were to default on all credit granted to it. See http://www.iwh-halle.de/fileadmin/user_upload/publications/iwh_online/io_2015-07.pdf

given rise. To account for these in terms of personality traits, virtue, prudence, discipline and lack of it, moral failure, greed, short-sighted decisions, character defects etc. yields results and narratives of responsibility that may serve well to win support for strategic moves of one of the parties involved (the more powerful, that is) but does neither achieve an adequate causal explanation nor a promising therapy for the problem at hand. It rather results in an analytically sterile exercise in victim blaming or the moral self-aggrandizement of winners.

Much more promising (as well as honest and intellectually respectable) is an approach that Greek leaders, most prominently the social science intellectual and former minister of finance Varoufakis have consistently taken. To be sure, there have also been voices in the Greek media which have depicted the German chancellor as the incarnation of evil. Yet in Varoufakis' numerous comments[44] on the crisis and possible ways out as well as in a book length account of the conflict[45], he uses an entirely different, namely structuralist and institutionalist language while throughout emphasizing his personal respect for his main opponent in the bitter conflict, German finance minister Wolfgang Schäuble and his analytical capabilities. Starting with the observation that "Greece is bankrupt more than ever", from which it follows that it makes no sense to pay for accumulated and unsustainable "debt" (which has itself become a mendacious misnomer as the term implies the *ability* of the debtor to ever pay it back to the creditor, as well as the *belief* of the latter in that ability) with ever new credit, he highlights the "defective structure of the Eurozone" and emphasizes his "opposition to untenable conditions, not persons". If there is blame, it should apply to faulty decisions of *former* Greek elites, such as the decision to join the Eurozone in the first place, the consequences of which

[44] Cf. an extensive interview published in two parts in the daily Die Welt on August 15 and August 17, 2016; available at https://www.welt.de/wirtschaft/article157675904/Schaeuble-war-der-Einzige-der-einen-Plan-hatte.html and https://www.welt.de/wirtschaft/article157713898/Wolfgang-und-ich-sassen-da-beide-hil-flos.html

[45] Yanis Varoufakis, Das Euro-Paradox. Wie eine andere Geldpolitik Europa wieder zusammenführen kann, Munich: Antje Kunstmann 2016

have resulted in "untenable conditions" which cannot be undone. He also points to the defective institutional arrangements of the endemically corrupt Greek state and its lacking capacity for effectively making its citizens pay taxes. The practical conclusion of this analytical perspective is not to punish or re-educate people, but to change the institutional setup of the EU's monetary regime in ways for which he has proposed a set of ideas for reform.[46]

Yet institutional reforms are hardest to mobilize for and to implement when the European polity is under unprecedented stress. The vast scarcity of consensus of governing elites of member states, also exacerbated by the refugee crisis that has fuelled domestic fears (real and above all pretended ones) and populist mobilization if not the rise of populist parties to government position seems to make any attempt at major *constitutional* change unpromising. The only force that can realistically be expected to drive a change of *policy* is not popular mobilization but the fear of (parts of) governing elites of member states that the failure to adopt policy reforms is bound to irretrievably involve all sides into a giant and long-term negative-sum game of re-nationalization. Such perfectly rational fears of the consequences of an EU collapse are naturally greatest on the part of those who so far have gained most from EU integration and its monetary regime. Heroically assuming an adequate level of policy-elite rationality, one would assume that those who would lose most are also ready to pay most for averting the dangers that come with re-nationalization - even if the introduction of some remedial policies need to "proceed on tiptoes, lest German voters notice"[47], as Europe lacks the role of an institutional opposition that would have a chance to democratically advocate positive policy alternatives that could make further integration evidently "worthwhile". Blueprints and proposals for such alternatives are on the table, if on tables behind technocratically closed doors. Examples are a European unemployment insurance, debt relief and debt mutualization through Eurobonds, the transfer of fiscal authority to tax, spend and incur debt to a

[46] Available at www.bridgingeurope.net

[47] Susan Watkins, *op. cit.* 15

Eurozone minister of finance, fiscal harmonization among member states, and large scale public investment programs aimed at the most crisis-affected member states and economic sectors. But it is certainly to early to tell whether such EU-wide policy initiatives will ever have a chance to assert themselves against the shortsightedness of self-centered German veto power which so far has refused to adopt an attitude of *rational* fear of a EU collapse.