

# Germany: Fierce controversy over banking union

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The European Union summit on June 28-29 has triggered a fierce controversy in Germany. Over 200 economists have signed a statement sharply criticizing Chancellor Angela Merkel. The first sentence reads: “The decisions which the chancellor saw herself forced to agree at the summit of the EU countries were wrong.”

The economists particularly condemn the decision of the summit to form a European banking union, because this means a “collective liability for the debts of the banks of the euro system”. They reject this for nationalist reasons.

The “solid European countries” should not be held liable for the guarantees of the bank debt of the “crisis” countries, the statement declares. A “pooling of liability for bank debt” will always expose the “solid states” to the “pressures” of the debtor countries, as long as they “have the structural majority in the euro area”. Moreover, accepting such a liability neither strengthens the euro nor the European idea, but helps “instead Wall Street and the City of London.”

In other interviews and articles, the two initiators of the statement, the director of the Munich-based Ifo Institute, Hans-Werner Sinn, and Dortmund Professor of Statistics Walter Krämer, express themselves in even more pronounced nationalist tones. In the business daily *Handelsblatt*, Sinn accuses those countries with debt problems of having “organized a witch-hunt”, to “get at our money, accusing Germany of imperial appetites and predicting the hatred of peoples against us.”

In a joint article for the conservative *Frankfurter Allgemeine Zeitung* (FAZ), Sinn and Krämer also accuse other countries of blackmailing Germany: “The result is always the same: First, we are moved to whip out our wallet using the placebo of political barriers and rules of conduct, and when the wallet is on the table, we are forced to abandon the political barriers.”

The economists’ statement takes up positions previously advocated by the former Federation of German Industries chair Hans-Olaf Henkel, Social Democratic Party (SPD) politician Thilo Sarrazin, and isolated representatives of the ruling parties—the Christian Democratic Union (CDU), Christian Social Union (CSU) and Free Democratic Party (FDP). These cite German self-interest for rejecting any financial support for countries with debt problems; some even want to give up the euro. Previously this involved only eccentric individual opinions, but now for the first time a large number of academics have signed on to such a statement.

Like Henkel and Sarrazin, the economists combine their

statement with populist demagoguery. They are not addressing themselves to government and political parties, but to “dear fellow citizens”, whom they ask to put pressure on the parliamentary deputies in their constituency: “Our elected officials should know what dangers threaten our economy.”

Although the signatories include resolute defenders of capitalist property and the free market, they make demagogic sideswipes against the banks. They reject a “socialization of debts” and demand: “Banks must be allowed to fail.” The burden of bankruptcy must be borne by the creditors, “because they have deliberately taken the investment risk and only they have the necessary assets.”

The statement by the economists has met with strong opposition from the government, the employers’ associations and the trade unions, as well as the Social Democratic Party and the Greens. They stand behind the course of Chancellor Merkel, who supports bailout funds, a banking union and similar measures in the defence of the euro under conditions of strict austerity measures at the expense of working people.

Merkel accused the authors of not having properly read the decisions of the EU summit, a claim they rejected with outrage in a joint article in the FAZ. Finance Minister Wolfgang Schäuble described the criticism as “irresponsible” and accused the signatories of creating public confusion. CDU General Secretary Hermann Gröhe spoke of “scaremongering” and complained: “The statement only stokes up fears and does not show a single way to solve the problems.”

Dieter Hundt, head of the employers’ association, assured *Handelsblatt* that he “admires how the chancellor introduces and pushes through her positions in Europe”, and pays her “great respect”. In the same paper, BMW CEO Norbert Reithofer called the EU summit decisions “part of the solution.”

Economist Peter Bofinger, who is close to the trade unions, told *Spiegel Online* that the statement damaged “the public image of German economic science”. Michael Hüther, director of the Institute for Economic Research, a pro-business organisation, described the statement as “pure propaganda”. Gustav Horn, director of the Institute for Macroeconomic and Economic Research (IMK), spoke of “nationalist-tinged demagoguery.”

A group of economists around Berlin Professor Frank Heinemann published a counter-appeal, expressly welcoming the decisions of the EU summit and the plan for a banking union. This has now also been signed by 150 economists, with at least nine

professors signing both statements, although they obviously contradict each other.

The statement issued by Sinn and Krämer has received support from two sides that otherwise seem to stand irreconcilably against each other: the right wing of the Christian Democrats and the Left Party.

CSU General Secretary Alexander Dobrindt praised the statement as a “cautionary contribution that the summit resolutions not be interpreted too far in the wrong direction”. And the deputy chair of the Left Party, Sahra Wagenknecht, greeted it, saying: “Where they are right, they’re right.”

Wagenknecht’s support for the statement by the economists says a great deal about the character of the Left Party and its so-called “left” wing around Wagenknecht and Oskar Lafontaine, who also have a personal relationship.

Wagenknecht usually behaves as a severe critic of government, banks and the European Union. At the end of June, in the parliamentary debate on the European fiscal pact, she called the Merkel government a puppet of the banks. She accused it of blackmailing the citizens “in order to save the fortunes of the wealthiest and keep the financial casino running”. Merkel’s Europe was “a project for the destruction of democracy and social justice, a project to dismantle workers’ rights and reduce wages and pensions, a project of the Deutsche Bank, Goldman Sachs and Morgan Stanley for the plundering of the European taxpayer.”

But Wagenknecht draws no distinction between opposition to the government and the EU from the left and from the right. Or more precisely: In spite of her anti-capitalist rhetoric, she joins with the right-wing opponents of the government, who oppose Merkel’s European course in the name of German nationalism.

Wagenknecht’s proximity to Hans-Werner Sinn, the author of the economists’ statement, is not new. Three years ago, *Die Zeit* conducted a joint interview with the two. And in September 2010, Sinn appeared at a panel discussion with Wagenknecht in Frankfurt, as a guest of the Left Party.

What unites the two, despite many differences of opinion, is the common commitment to the so-called ordo-liberalism, the economic teachings of Walter Eucken and Alfred Müller-Armack, on which post-war chancellors Konrad Adenauer and Ludwig Erhard (both CDU) had based their policies. This specifically German form of liberalism links the free market with a strong state, which provides a framework for the market.

In her 2011 book *Freedom Instead of Capitalism*, Wagenknecht abandoned her former lip service to Marx and expressly supported Ludwig Erhard. If one “thinks the original market economy concept through to the end”, it leads “directly to socialism”, she writes. (See: “‘Left’ figurehead of German Left Party praises meritocracy and the market”). This earned her many supporters in the right-wing bourgeois camp.

None less than Peter Gauweiler—who even in the CSU is regarded as a right-wing eccentric—devoted a laudatory critique in the *Süddeutsche Zeitung* to the recently published second edition. “The most sensational feature about this book”, he wrote, “is the radical break of the former chair of the Communist Platform with the negative view of the early Federal Republic [of Germany], which for decades was indeed a must for all lefts in Germany.”

In May this year, Gauweiler appeared together with Wagenknecht at a presentation of the book at the Berlin Kulturbrauerei. The third person on the podium was FAZ publisher Frank Schirrmacher, who had previously serialised the book in the flagship of the conservative German press. Schirrmacher assured Wagenknecht that small business owners reading the FAZ had reacted enthusiastically to it.

The economists’ statement and the controversy that has developed as a result are symptoms of profound political changes in Germany. While the Merkel government is driving forward the social counterrevolution in Europe in the name of “saving the euro”, her right-wing critics are developing a policy for the event of the failure of the euro and the European Union, something which looms ever nearer.

From its inception, the politics of the Federal Republic were characterised by its orientation to the West and European integration. This allowed the German economy to regain international standing without the use of military violence and maintain social peace at home. If this framework breaks down, violent social upheavals and the rise of nationalism and militarism are the inevitable result.

In such a situation, the Left Party will have an important role to play befuddling the working class and suppressing it. It combines unscrupulous nationalism with the call for a stronger state. Wagenknecht has replaced her earlier enthusiasm for the Stalinist state of East Germany with support for the bourgeois state of the Federal Republic, which she glorifies in the form of the Erhard era. Moreover, the Lafontaine-Wagenknecht wing of the Left Party has close links with the trade union bureaucracy, which in times of crisis has always been a hotbed of nationalism.

A left-wing, socialist opposition to the Merkel government and the European Union is diametrically opposed to the politics of the Left Party. Such an opposition is completely internationalist and bases itself on the mobilisation of the working class. It unifies the European workers against the dictates of the European Union and breaks them away from its stooges in the unions and political parties. It fights for the expropriation of the large corporations and banks, and for the replacement of the capitalist market economy with a planned socialist economy that serves the needs of society, not the profit interests of the capitalists. It aims at the establishment of workers governments and the United Socialist States of Europe.



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