

# AUSTERITY and its **ALTERNATIVES**



## Who are they listening to?

Charting intricate webs of austerity knowledge in Germany

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**WZB**

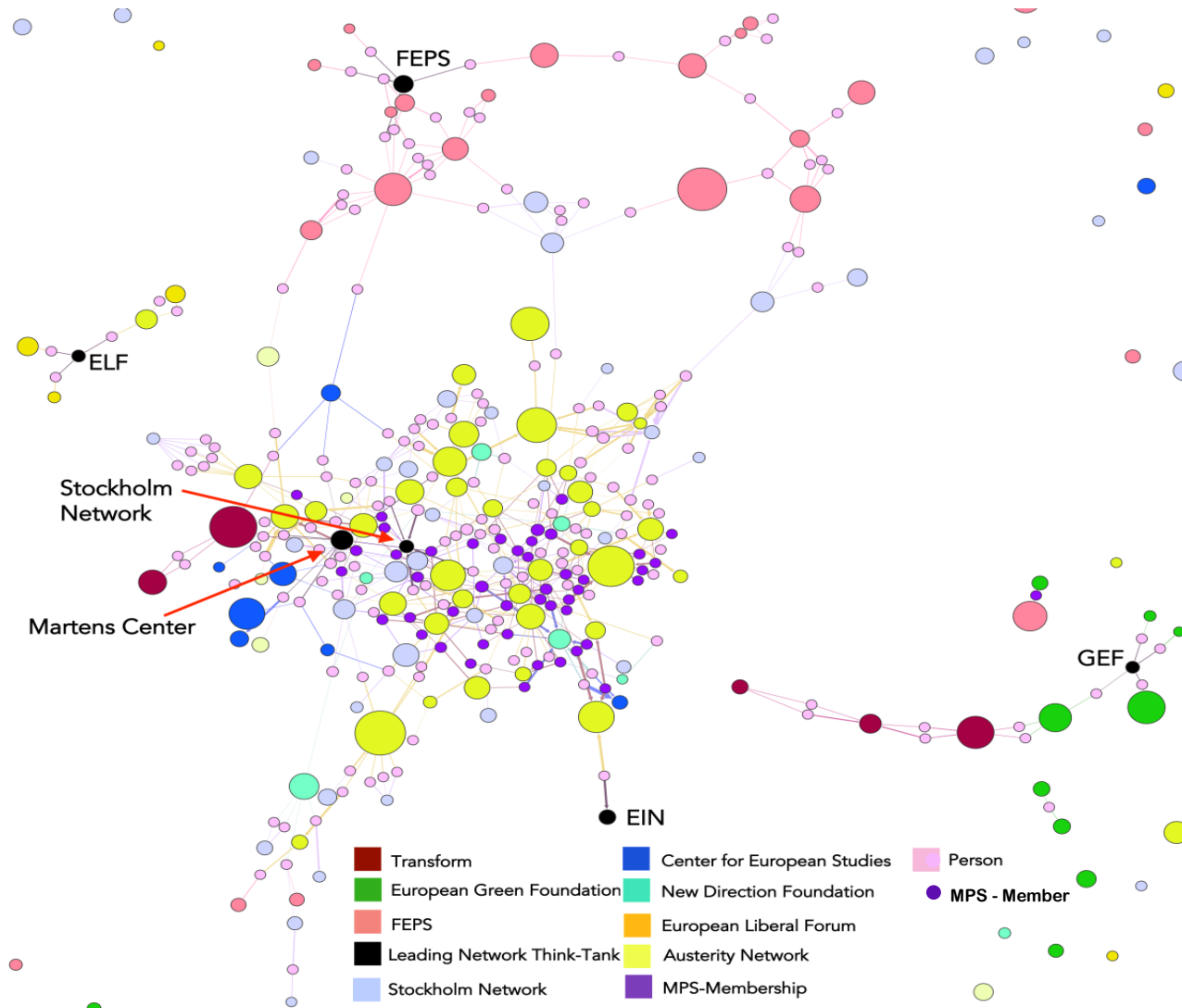
Berlin Social Science Center

# Agenda

1. Previous Research: The European Austerity Network around political party foundations and partisan think tanks, its German strong hold and what we are missing (a lot!)
2. Austerity (political) advisory landscape in Germany: Exemplary analysis of some key individuals and institutions (5 pro-austerity and 2 more balanced organizations)
3. Key findings and how to interpret them: austerity technocracy, austerity hegemony, austerity intrication?



# Previous Research: Integrated Analysis



→ Pro-austerity think tanks (yellow) maintain central positions amongst the 6 European party foundation and two right wing partisan networks.

→ MPS – Members hold key interlock positions within the community.



# German Members in Austerity Networks

	German Austerity Think Tanks	Network
1	Hanns Seidel Stiftung	Centre for European Studies
2	Konrad Adenauer Stiftung	Centre for European Studies
3	Friedrich-Naumann Stiftung	ELF
4	Stiftung Marktwirtschaft	Stockholm
5	Stiftung Ordnungspolitik	Stockholm
6	Walter Eucken Institut	Stockholm
7	Hamburg Institute for International Economics	Stockholm
8	New Social Market Economy Foundation	Stockholm
9	Center for European Policy (CEP)	Stockholm
10	Council on Public Policy	Stockholm
11	Hayek Society	Stockholm
12	Institut Unternehmerische Freiheit	NDF / Stockholm

Notably absent: Major Employer institutes like Institut der deutschen Wirtschaft or Stiftung Familienunternehmer, and important academic institutes featuring pro-austerity economists like IFO (Hans-Werner Sinn, until 2016) or Max Planck Institut für Steuerrecht (Kai Konrad)



# Leading German Economists



Hans Werner Sinn

KAI A. KONRAD · HOLGER ZSCHÄPITZ

# Schulden ohne Sühne?

Was Europas Krise  
uns Bürger kostet



Aktualisierte  
Ausgabe

dtv

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# New Puzzle: German Austerity Landscape

## *Questions:*

1. Which organizations (research institutes; university institutes, think tanks) promote austerity positions?
2. And which organizations can be considered „anti-austerity“?
3. Who are important academics who advocate austerity; which role do disciplines play (economics, but also others!)
4. Are academic intellectuals (inter-) connected through networks?
5. How are academic institutes related to government institutions?
6. How are these austerity forces linked to the European networks studied before?





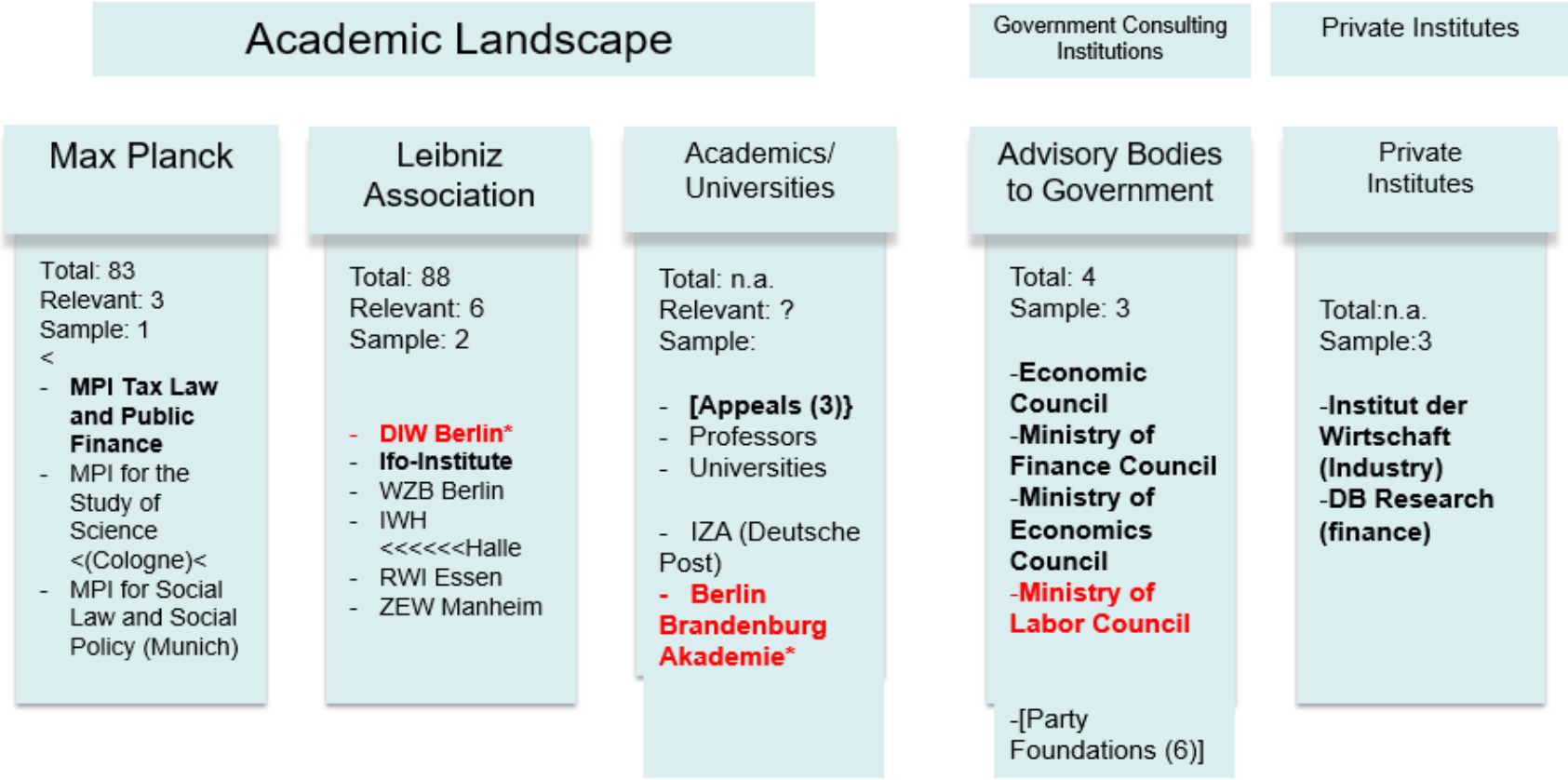
Austerity Knowledge regime in Germany: Individuals, organizations, ideas





# Pro-Austerity in Germany

## Five Building Blocks



\* Ideologically balanced Institutes

Case Selection: Political Advisory Architecture in Germany

# Pro-Austerity in Germany

**Exemplary Analysis: academic and business related institutes, government advisory institutions, public appeals**

Institutions	Number of organizations/units	Individuals
Pro Austerity Institutes in Germany	5	281
Ideologically balanced Institutes in Germany	2	428
Austerity Appeals	3	550
Government Consulting Institutions	3	87
[Austerity Networks	82	2430]

Method of Investigation

# Pro-Austerity in Germany

Pro-Austerity Institutes	Ideologically balanced Institutes	Austerity Appeals	Government Consulting Institutions	Austerity Networks
n=5 ; 281	n=2; 428	n=3; 550	n=3; 87	n=82; 2430
<b>IFO</b> (Center for Economic Studies)	<b>DIW</b> (German Institute for Economic Research)	<b>Hamburg Appeal (2005)</b> „structural reforms“	<b>Federal Ministry of Finance</b> (Scientific Advisory Board)	All 82 Pro-Austerity think tanks listed in our Think Tank Network Research database
<b>IW</b> (Cologne Institute for Economic Research)	<b>Berlin-Brandenburg Academy of Science</b>	<b>Voices of Economists (2012)</b> „anti debt mutualization“	<b>Federal Ministry of Economic Affairs and Energy</b> (Scientific Advisory Board)	
<b>IZ</b> (Institute of Labor Economics)		<b>Karlsruher Appeal (2013)</b> „Central Bank should not buy government bonds of debtor states“	<b>SVR</b> (Germany Council of Economic Experts)	
<b>Max Planck Institute</b> for Tax Law and Public Finance				
<b>Deutsche Bank Research</b>				

Exemplary Analysis

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## Statements: Pro-Austerity Institutions

*„It is, however, clear that austerity is a prerequisite for the necessary re-equilibrium of relative prices, which have been distorted by the credit bubble after the introduction of the euro“ (Huffingtonpost 2014)*

**Hans-Werner Sinn,**  
ifo-Institute President from  
1999 – 2016

**ifo** Institut

*„The demand for a debt cut is highly politicized. It would mean a loss of face for Germany and other economically strong Eurozone countries“ (Welt 2015)*

**Kai Konrad,**  
Director Max-Planck  
Institute for Tax Law and  
Public Finance



MAX-PLANCK-GESELLSCHAFT

*“In order to regain the international financial markets trust, countries have to considerably reduce their debt.” (Zeit 2013)*

**Michael Hüther,**  
Director Cologne Institute for  
Economic Research (IW)

**IW** Institut der deutschen  
Wirtschaft Köln

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*"Privatizations can contribute significantly to the consolidation of public budgets in the euro area [...] Widespread objections to privatization are not valid"*  
(DB Research 2011)

**Dieter Bräuninger,**  
DB Research Analyst

*Opposed minimum wages and supported higher retirement age; helped academic preparation of structural labor market reforms (Hartz reforms).*

**Klaus F. Zimmermann,**  
IZA President

**I Z A** Institute  
of Labor Economics

Initiated by Deutsche Post Foundation





# Plural Organizations

## Berlin Brandenburg Academy

- Possibly most important of German academies
- Pluralist working group on public finance
- Report of pro- and contra austerity, balanced compromise paper (signed by pro-austerity economist Lars Feld, not by Kai Konrad)

## DIW

- President Fratzscher: Social Inequality book
- Corporatist: Business and trade union representatives





Marcel Fratzscher

# VERTEILUNGS KAMPF

Warum Deutschland  
immer ungleicher wird

STAATSSCHULDEN  
IN DER DEMOKRATIE:  
URSACHEN, WIRKUNGEN  
UND GRENZEN



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# The Three Appeals signed by German Economists

## The Plea of Hamburg (2005)

Germany faces a deep structural crisis which calls for drastic and painful reforms. [. . .]

1. total demand is a complex economic category [. . .] (steering) disrupts its structure but does not lead to a higher total demand.:::
3. Costs of labour are a key factor to overcome the crisis. Who think's that Germany should stay a country of high wages, is dishonest and ignorant..

## Voices of the Economists (2012)

„We, the economists of German speaking countries, are concerned about steps towards a baning-union, which establishes collective liabilities of the debts banks in the eurosystem have created [. . .]. Disputes with the neighbours is inevitable. Neither the Euro nor the European idea will be saved by expanding the liabilities of member states. It rather helps ailing banks, Wall Street, the City of London and some German investors which can transfer their debts to citizens and countries that have nothing to do with it.“

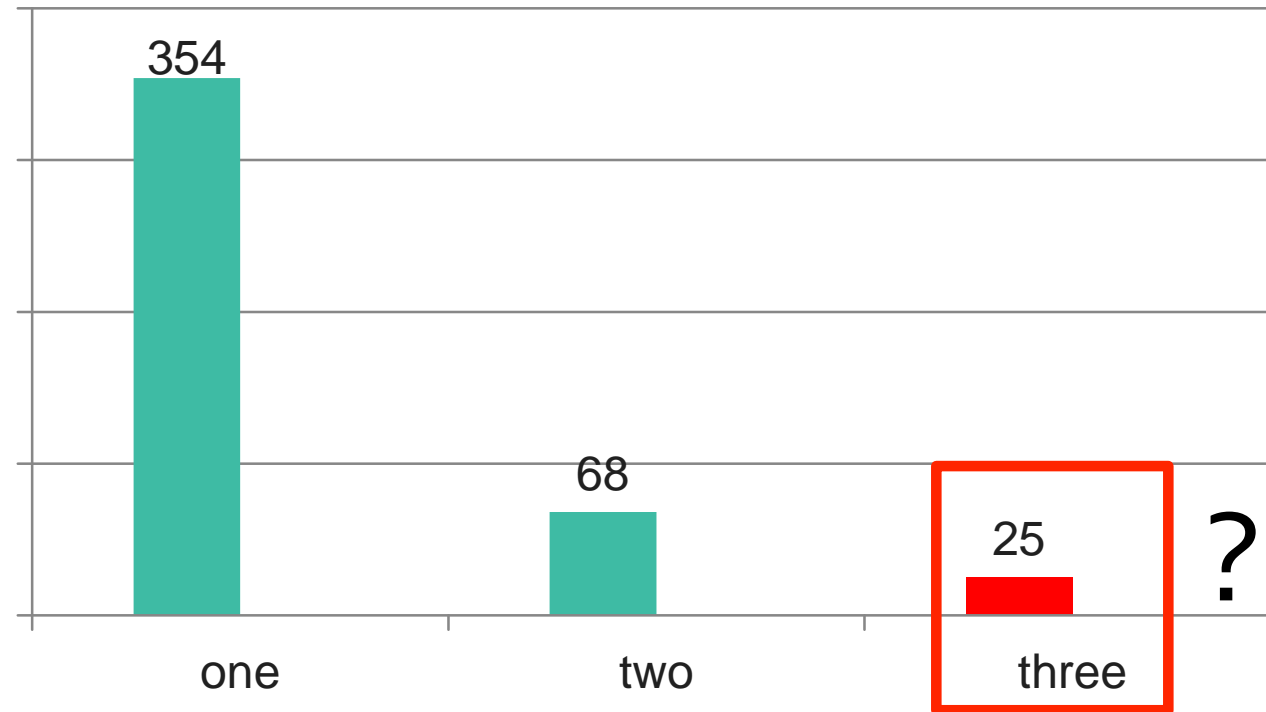
## Plea of Karlsruhe (2013)

ECB Government financing is rightly prohibited, as it endangers the independence of the central bank. The central bank shall ensure prise-stability.[. . .]

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# How Many Economists Signed Multiple Appeals?



*In total 370 Economists signed the appeals.*





# Who are these 25 Economists?

Gerhard Wegner, Erfurt University

Peter Oberender, Bayreuth U

Jan Franke-Viebach, Siegen U

Bernd Lucke, Hamburg U

Bernd Raffelhüschen, Freiburg U

Leo Kaas, Konstanz U

Carsten Herrmann-Pillath, Witten U

Rudolf Richter, Saarland U

Cay Folkers, Bochum U

Wolf Schäfer Hamburg B U

Christian Seidl, Kiel U

Joachim Starbatty, Tübingen U

Dirk Meyer, Hamburg B U

Norbert Berthold, Würzburg U

Friedrich Breyer, Konstanz U

Roland Kirstein, Magdeburg U

Gerhard Rübel, Göttingen U

Stefan Voigt, Hamburg U (ifo)

Theresia Theurl, Münster U

Thomas Gries, Paderborn U

Wilhelm Pfähler, Hamburg U

Hans-Georg Petersen, Potsdam U

Wolf-Heimo Grieben, Halle U

**Hans-Werner Sinn, Ifo**

Jörn Kruse, Hamburg B U



# Scientific Advisory Board to the Federal Ministry of Finance

Scientific Advisory Board to the Federal Ministry of economic affairs and energy	Scientific Advisory Board to the Federal Ministry of Finance	Council of Experts
Axel Börsch-Supan, BBA	Jörg Rocholl, DIW	Lars P. Feld, DIW
Axel Ockenfels, BBA	Kai A. Konrad, BBA, MPCTPF	
Marcel Fratzscher, DIW	Lars P. Feld, DIW	
Martin Hellwig, BBA		

- Kai A. Konrad, Max Planck corporate tax and public finance
- Clemens Fuest, Jörg Rocholl, IFO-Institute

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# German Think Tanks in the Austerity Network with Connections to Governmental Advisory Boards

Think Tanks
New Social Market Economic Foundation
ECONWATCH
Wilhelm Röpke-Institut
Stiftung Marktwirtschaft
Aktionsgemeinschaft Marktwirtschaft
Hayek Institute
Liberales Institut
Hayek Gesellschaft
Institute for Free Enterprise
Open Europe Berlin
Die Familienunternehmer – ASU
Walter Eucken Institut

# What about the Mont Pelerin Society?

<b>Name</b>	<b>Institution</b>
<b>Charles B. Blankart</b>	Federal Ministry of economic affairs and energy (Scientific Advisory Board)
<b>Christian Watrin</b>	Federal Ministry of economic affairs and energy (Scientific Advisory Board)
<b>Lars P. Feld</b>	Federal Ministry of Finance (Scientific Advisory Board) / (BBA) / German council of economic experts
<b>Peter Bernholz</b>	Federal Ministry of economic affairs and energy (Scientific Advisory Board)
<b>Roland Vaubel</b>	Scientific Advisory Board of the Federal Ministry of economic affairs and energy
<b>Wernhard Möschel</b>	Federal Ministry of economic affairs and energy (Scientific Advisory Board)





# How do they Score in the FAZ Ranking?



- = Institutes part of austerity-Network
- = Examined Organisations
- = Individuals
- = Members of MPS



# A New Theory of (Economic) Advisory Functions?

- Can we speak of austerity technocracy?
- Can we speak of austerity hegemony?
- Can we speak of austerity intrication?



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