

The Eurozone Crisis and German History

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The lessons of Versailles.

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The eurozone crisis just seems to be lingering on, with no resolution in sight. Germany, in particular, is often criticized for providing no leadership. All that seems to happen is that every week brings new variants of disparaging news, from Finnish election results to Greek anarchists. And yet could it be that German history, of all things, provides a constructive and even healing guide to overcoming the current protracted eurozone crisis? That would be a major stunner, given that German history has traditionally proven to be a treacherous ground, especially when it comes to the country's twentieth-century history.

It is often said that the pivotal experience in modern German history, when it comes to fiscal and economic matters, was really the bout of hyperinflation of the 1920s. That item is always trotted out, with good reason, as a kind of economic Old Faithful to explain why Germans hate inflation and now want to impose their own preference for fiscal probity on other European nations.

But we cannot overlook that something equally historic but completely different has shaped Germany's economic mindset at least as much: the memory of how the aftermath of World War I toppled the country first into social and economic instability, then ruin and, ultimately, fascism.

The European history of 1919, whatever its causes, was a botched start into Europe's democratic era. Simply put, the



Mass demonstration in front of the Reichstag against the Treaty of Versailles, May 15, 1919.

lesson from the reparations-driven Versailles era of European politics is this: While it is constructive to help a country back onto the path of fiscal virtue and economic growth, it is destructive to be intransigent and demanding to the point of stifling these countries' incentives—and even theoretical opportunity—to improve and reshape their own act.

While the memory of that era is waning, today's Germans are aware what a long and protracted road it was for their

country to come back from that abyss. And they are vividly aware that European integration was part and parcel of that recovery process—even if not all Germans are willing to admit that at all times.

That memory teaches a fundamental point about the importance of economics in politics: Countries that find themselves in deep economic turmoil—which is precisely the state that Ireland, Greece, Portugal, and (to a lesser degree) Spain find themselves in today—must do their part to reform themselves. But if they do so, and implement the tough measures to put themselves irrevocably onto the path of economic and fiscal rectitude, they cannot be left alone to dig themselves out of the deep hole they are facing.

What really matters in the context of the current European debate is that one can ultimately count on Germany's leaders and its citizens alike to have drawn the correct lesson from the Versailles mess: Don't do anything that would have the effect of cornering countries in dire economic and financial need.

That is surely something that weighs on Chancellor Angela Merkel's mind. Having benefited from German unification, she has a keen appreciation of the constructive forces of history. She knows that Germans have every incentive to be pivotal players in the effort to do for Europe what was done for Germany before, that is, find a stable economic and financial framework in which to prosper. In today's context, that means the smart and simultaneous pursuit of toughness (to require domestic reforms) and leniency (to provide a helping hand to struggling partner countries).

Pursuing that path, as the American policy toward Europe after World War II showed, is not a matter of largesse, but of enlightened self-interest. Doing so now enhances Germany economically, which means it enhances it politically too. After all, there is no denying that a strong euro is what creates a strong Germany.

While the reverse is true as well, that's precisely the point. As was evident and irrefutable ever since the days of the Versailles Treaty, if not long before, Germany's and the rest of Europe's economic and political fates are completely intertwined. ♦

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