

REVIEW

ANGELO BOLAFFI - PIERLUIGI CIOCCA, *Germania/Europa: due punti di vista sulle opportunità e i rischi dell'egemonia tedesca*, Donzelli, Roma, 2017

As the sub-title makes clear, this is not a book of joint authorship. It houses two substantial essays by the two authors, Bolaffi and Ciocca. The first, “Europés barycenter”, deals with political history, without neglecting its economic side; the second, “Germany: earlier the debtor, now the creditor” deals with economic history, without neglecting its political side. Usually the different contributions are accompanied by one or more rounds of cross commentaries. Here the two essays sit side by side in splendid isolation from each other. They are however preceded by a brief note of the publisher, introducing to the reader his two authors and their treatments: “Bolaffi and Ciocca are two authoritative scholars, who here analyze, between past and present, the European political and economic scenarios. Not necessarily do the resulting visions coincide. By a careful comparison of the two essays, which were written by the authors in complete autonomy from each other, the reader will be able to notice the points of convergence and divergence. Yet the total impact on the reader is that both deal with a crucial turning point in European history, of which Germany is the protagonist. A development that inevitably leaves none of us unaffected”.

A synthesis of Bolaffi’s argument

could run as follows: the German re-unification is the main event in recent European and perhaps world history. It has revamped “the German question”, to which the process of European unification, culminated in the Maastricht Treaty, is an attempted solution. But this has revamped “the European question”, for Germany has quickly overturned the attempt to soften and dilute its identity and economic power within the European construction. The euro “devised to tie Germany to Europe, has ended up tying the weaker European countries to Germany”, an outcome that apparently Bolaffi welcomes, even if, he remarks, it has caused bitter complaints and endless polemics: not only unfair and unjust to Germany, but inept: for Germany following the teachings of ordo-liberalism and its slightly softer version, “the social market economy”, has created its distinctive model of a socially balanced, efficient and just society. Luckily these teachings have also influenced the European construction by way of both the Maastricht and the Lisbon treaties. Unfortunately, laments Bolaffi, some Mediterranean countries instead of according them their due importance resist and try to put off all painful but necessary reforms, thus falling in even heavier troubles that they then have the cheek to attribute to the German budgetary rigidity instead of to their own political, ideological and cultural backwardness. What a pity, observes Bolaffi: for it is exactly on this ground, i.e. on the ground of a positive imitation of its model, that Germany could

exercise a new type of “federative” leadership: no longer the expression of its military might but of its social, economic and above all cultural achievements. On this basis the European unification process could be completed: with great benefit not only of the member countries but of the whole world, which badly needs the example of a continent ruled by the principles of the European Enlightenment now that the USA seem no longer committed to them. The euro is the symbolic crowning of this project, and quite surprisingly Bolaffi does not suggest the ejection of Greece, or Italy, or both.

Reading Bolaffi one has the impression to have been led to a high flight over European and indeed world history. To prepare the transition to Ciocca’s essay, we may ask ourselves: is the export-led strategy being followed by Germany -never mentioned by Bolaffi- also a feature of that *modell Deutschland* that he extolls to the universal imitation? For, on the one hand, it seems more suited to a small underdeveloped country than to a middle-sized advanced economy, and, on the other, not all countries, alas, can be net exporters simultaneously. When the euro union’s net position to the rest of the world is nil, then not all euro countries can imitate Germany in running a current account surplus. True, all euro countries can become net exporters to the rest of the world, a highly destabilizing situation into which Germany by its persistent refusal to carry out a domestic expansion is pushing its euro partners. If however we consider the intra-euro positions, then again there must be a deficit somewhere corresponding to each surplus. Let me remind the reader that mercantilism, the branch of political economy which preceded the classical political economy headed by Adam Smith, J.B. Say, and David Ricardo, held that the wealth of nations resided in the gold reserves amassed through running a trade surplus. This is

why the German economic model is said to be neo-mercantilistic. It was by no means recommended by the ordo-liberal writers, of whom Bolaffi is an admirer.

Here is Ciocca’s own preliminary summary of his essay: the subject is the same as Bolaffi’s, *modell Deutschland*:

The German neo-mercantilism may precipitate the European Union in an unprecedented crisis, that could prove fatal. Germany not only accepts, but willingly pursues abnormal balance of trade surpluses. It does it by the quality of its commodities, by the harmony in its corporatist labor relations and by its public budget discipline which, by contracting domestic aggregate demand, limits imports and pushes exports. There results an increasing positive net external position. This strategy inflicts several economic damages to German citizens: low income growth, waste of resources accompanied by inadequate infrastructures, losses on foreign financial investments. The “austerity” imposed to its partners through the orthodox European budget rules are a permanent brake on the Union economy. In its turn, the high unemployment in the Mediterranean countries pushes towards Germany the flow of immigrants from Africa and other areas. There arise in Germany and the whole of Europe cost factors, tension, centrifugal tendencies that are easily exploited by rightist, populist and nationalist parties, and threaten the European Union with a true implosion, thus spoiling decades of progress toward unification. At the roots of the German economic policy there are likely to be – in addition to cultural deficiencies in the understanding of the *modus operandi* of a modern capitalist market economy – two types of factors: values that make public opinion willing to forfeit growth for the sake of monetary and financial stability, on the one hand; a meta-economic geopolitical choice by its leading classes to found its ever desired primacy in Europe on the creditor position of its economy, on the other.

I apologize to the reader for the length of this quotation: as good a synthesis of his treatment as I could ever have composed. In his conclusion Ciocca too, as Bolaffi, considers the question of what Germany will do with the high economic potential now at its disposal: “Will it use it in the

service of a cohesive, unified Europe, or will it turn it to the establishment of a concrete, undisguised hegemony over its partners?" Perhaps Bolaffi – in a hypothetical cross commentary – would answer that the two alternatives are really one. If *modell Deutschland* is indeed the example to imitate, and if Germany's hegemony consists in persuading its partners to adopt it -or in imposing it: as Germany did with Greece: an unhappy episode on which Bolaffi does not expatiate- then there is indeed no difference. But of course Ciocca requires from Germany a drastic change in its economic policy, actually, a change in its economic regime undreamed of by Bolaffi and which might undermine at the depths its *modell Deutschland*: the abandonment once and for all of its neo-mercantilism, on which perhaps its socio-political equilibrium is based, and a conversion to an expansionary fiscal policy, against the dictates of ordo-liberalism and social market economy: doctrines highly prized, as we have

seen, by Bolaffi, but not as much by Ciocca, who refers to them as "cultural deficiencies in the understanding of the *modus operandi* of a modern capitalist market economy". And yet, the two essays do share some features. They do not deal with the 2009-2012 European crisis and its diagnosis, and they do not take up, even more disappointingly, the need to reform the monetary union. The latter is perhaps the only point where I disagree with Ciocca. He says that "Europe's macroeconomic problem does not lie in its currency. It lies in the inadequacy of its economic policy." I would argue that it lies in the absence of the institutions which should have made up for the loss of sovereignty and flexibility inherent in joining the monetary union. A problem to which the best American economist of a wide range of political persuasions – members of a federal State which is also a successful monetary union – had almost implored us to pay attention.

GIACOMO COSTA