

The Political Economy of Transpositions: A Study of the Eurozone Crisis

Sascha Engel

Dissertation submitted to the faculty of the Virginia Polytechnic Institute and State University in  
partial fulfillment of the requirements for the degree of

Doctor of Philosophy  
In  
Alliance for Social, Political, Ethical, and Cultural Thought

Timothy W. Luke, Chair  
Francois Debrix  
Scott G. Nelson  
Robert P. Stephens

March 1, 2016  
Blacksburg, VA

Keywords: austerity, crisis discourse, Eurozone crisis, Greek debt crisis, methodological  
nationalism, sovereign debt, transposition

Copyright: Sascha Engel  
2016

# The Political Economy of Transpositions: A Study of the Eurozone Crisis

Sascha Engel

## ABSTRACT

This study offers a reinterpretation of the so-called Eurozone crisis, arguing that its crisis character is overstated and that it is rather a normal stage in the process of European banking sector integration. Particularly, I maintain that it is neither a sovereign debt crisis caused by profligate peripheral governments, nor a crisis of the Eurozone's common monetary policy. Nor, however, are the Eurozone's low growth, high unemployment, and economic and political instability deliberate policies, whether by German or Greek governments, European institutions, or the European banking circuitry.

Rather, I trace the Eurozone's low growth and high unemployment back to what I call transpositions. Transpositions change the possible boundaries of perceiving political and economic situations by altering the syntagmatic structure governing their intelligibility. The shift from 2003-2007 'boom times' to post-2007 'times of crisis' is one such transposition, which occurs behind the backs of human actors and thus forms the horizon of possible behavior of market and political actors. The Eurozone's 'crisis' transposition, results in differentiations within the asset class of Euro-denominated sovereign debt between a 'core,' comprising Germany, Austria, Latvia, and Finland, among others, and a 'periphery,' encompassing Greece, Ireland, Italy, Portugal, Spain, and Cyprus. It follows that the solvency of Eurozone member states is a derivative function of banking sector liquidity, reversing the conventional 'sovereign debt crisis' explanation to what I call the country-fundamental transposition.

The second transposition I explore is the austerity transposition. I maintain that the Eurozone's real economy is more interconnected than conventional narratives of European economic unification allow, and that supposedly national European economies – including particularly that of Germany – are integrated subcircuits of Europe's real economy. Constituting them as supposedly national economies is itself a transposition, necessary for the preservation of the European banking circuitry's interconnected balance sheets. Yet, the austerity transposition goes further, beyond a form of political economy oriented towards growth and sustainability, and into a moral economy of condemnation differentiating between morally virtuous and morally pernicious economies in the Eurozone. Its destructive effects are therefore neither irrational nor the result of a German hegemonic agenda, but that of the Eurozone's post-2007 syntagmatic structure.

# The Political Economy of Transpositions: A Study of the Eurozone Crisis

Sascha Engel

## PUBLIC ABSTRACT

The overall argument of my study is that the so-called Eurozone crisis was a continuation of European banking sector integration at the expense of the Eurozone's real economy. I reject the notion of a sovereign debt crisis and indeed of 'crisis' itself. My research yields important insights into the mechanics of the Eurozone's supposed crisis, as well as those of sovereign debt, and the political economy of austerity.

My research design proceeds from the assumption that economic and political actors are constrained in their behavior. This is not due to irrational behavior such as 'market panic,' as some have argued. Rather, if a situation is designated as a 'crisis' situation, behavior becomes possible which had not been possible before. Banking sector bailouts are one such possibility. Likewise, the behavior of market actors changes when 'boom' gives way to 'crisis.' Nevertheless, I reject psychologistic concepts such as 'exuberance' or 'panic.' The now-possible behavior is as rational as its pre-'crisis' counterpart. What has changed is the perception of reality upon which rationality is founded. I call this change a transposition.

I argue that the so-called Eurozone crisis is principally the result of two such transpositions. The first, the country-fundamental transposition, constrains and to a significant extent determines the behavior of market and political actors in the Eurozone by the technical features of sovereign bonds on the balance sheets of European banks. For example, banks rely on the ever-present ability of European sovereigns to tax their citizens for debt repayment. Thus, sovereign debt counts as a particularly safe asset on bank balance sheets. Yet, it can maintain this status only at the expense of the European real economy, which must prioritize debt repayment at all times.

Moreover, maintaining the stability of sovereign bonds on bank balance sheets alone is not enough for European banks to operate profitably in the Great Recession. Thus, the European banking sector differentiates between Eurozone member states. The result of this is the austerity transposition, the split of the Eurozone in two categories: a 'core' whose fiscal behavior is always sound, and a 'periphery,' whose fiscal behavior is always exuberant. Austerity is therefore not a set of economic policies to restore growth, but an attempt to maintain the banking sector's ability to simultaneously rely on the stability offered by sovereign bonds and yet profit from the differences between economic strength in the European 'core' and economic weakness in the European 'periphery.' Once more, this objective is at odds with the well-being of the European real economy, since ongoing profitable operations require the 'core' to stay strong and the periphery to remain 'weak.'

Thank you:

Francesca.

Katie. Matthew.

April. Brandon. Christian. Francine. Holly. Isaac. Jamie. Markie. Taulby.

Jennie. Jennica. Kent. Krista. Rikky. Ryan. Tara. Tyler.

Em. Jenn. Joel. Robert. Sarah.

David. Magnus. Thomas.

Gypsy. Marley. Olivia. Sammie. Sheba. Spook.

Alexander. Christina. Stephanie.

Tim.

Francois. Rob. Scott.

Allison. Holly. Karen. Kim. Leisa. Tamara.

Acknowledgements:

Portions of chapter one have been presented as “Crisis, Aneconomy, Ontology: The Case for an Antihumanist Circuitism,” at the 22nd Annual Conference of the Society for Philosophy in the Contemporary World in July 2015, where they won the Outstanding Graduate Student Essay Award.

Parts of chapter two have been published as “Country fundamentals as a form of market self-referentiality” in *Epiphany: Journal of Transdisciplinary Studies*, vol. 8, no. 3 (2016), pp. 57-73. Yet others are published in *Reflections and Explorations: A Graduate Student Commentary*, hosted by the Virginia Tech Institute for Policy and Governance, as “What the Eurozone Crisis can tell us about Sino-American relations,” at <https://blogs.lt.vt.edu/reflectionsandexplorations/2015/09/17/what-the-eurozone-crisis-can-tell-us-about-sino-american-relations/>.

Portions of chapters two, three, and four have been published as “An Alternative Approach to the Institutional Economics of the Eurozone Crisis,” in the *Journal of Economic Issues*, vol. 50 no. 1 (2016), pp. 145-164.

A version of chapter three has been presented at the Marxist Literary Group conference in June 2015, and was subsequently published as “Austerity beyond growth and beyond confidence” in the *Platypus Review*, No. 80 (October 2015).

Parts of chapter four were published in *New Perspectives: Interdisciplinary Journal of Central & East European Politics and International Relations*, vol. 23 no. 1 (2015), pp. 45-70, as “Germany,’ Asset Class Contagion, and Contagious Stability.”

Sections of chapter five are forthcoming as “Circulate, Substitute, Displace,” in *Kontradikce/Contradictions*, vol. 1 no. 1 (2016).

## Table of contents

Thanks and acknowledgements	iv
Table of contents	v
List of abbreviations	vii
<b>Introduction</b>	<b>1</b>
Conversations	2
Transpositions	6
Scale and Scope	18
Overview of the argument	19
<b>Banking</b>	<b>30</b>
The so-called sovereign debt crisis	33
Representation	42
The country-fundamental transposition	48
Intra-market hedges, extra-market hedges	55
Methodological nationalism deployed	67
Crisis: doubling down	75
Conclusion	80
<b>Austerity</b>	<b>84</b>
Beyond growth and confidence	91
'Madame Non'?	98
1923/1924: Austerity in Weimar	102
1948/1957: Austerity in Bonn	111
1999/2012: Austerity in Berlin	120
Conclusion	131
<b>Germany</b>	<b>134</b>
Conditional Solidarity	136
Germany's embedded position	144
The German core as a European structure	150
Austerity revisited	165
Conclusion	172
<b>Greece</b>	<b>176</b>
Greece overestimated	181
Austere economics	193
Corruption and sacrifice	200
Sacrifice and nationalism	206
Site of resistance?	221
Conclusion	235
<b>'Periphery'</b>	<b>239</b>
Portugal and Ireland	245
Portugal	246
Ireland	251
Conclusion	256
Spain and Italy	257

<b>Spain</b>	<b>260</b>
Spanish Houses	262
Spanish Separatism	269
Spanish Continuity	273
<b>Italy</b>	<b>279</b>
Italian Regional Differentiation	285
Italian Sectoral Composition	290
Italian Labor Segmentation	295
Conclusion	297
<b>Conclusion</b>	<b>303</b>
Continuity	303
Transpositions	308
<b>References</b>	<b>319</b>

## List of abbreviations

ANEL	<i>Anexartitoi Ellines</i> (Independent Greeks)
DIMAR	<i>Dimokratiki Aristera</i> (Democratic Left)
ECB	European Central Bank
EFSF	European Financial Stability Facility
ESM	European Stability Mechanism
EU	European Union
GDP	Gross Domestic Product
GIIPS	Greece, Ireland, Italy, Portugal, and Spain
FIRE	Finance, Insurance, Real Estate
HICP	Harmonized Index of Consumer Prices
IKB	<i>Industriekreditbank</i> (Industrial Credit Bank)
IMF	International Monetary Fund
KKE	<i>Kommounistiko Komma Elladas</i> (Communist Party of Greece)
LAOS	<i>Laikos Orthodoxos Synagermos</i> (Popular Orthodox Rally)
LTRO	Long-Term Refinancing Operation
NATO	North Atlantic Treaty Organization
OECD	Organization of Economic Cooperation and Development
OMT	Outright Monetary Transactions
PASOK	<i>Panellenio Sosialistika Kinima</i> (Panhellenic Socialist Movement)
SAREB	<i>Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria</i> (Company for the Management of Assets proceeding from the Restructuring of the Banking System)
SME	Small and Medium-sized Enterprises
SMP	Securities Markets Programme
SYRIZA	<i>Synaspimoi Rizospastikis Aristeras</i> (Coalition of the Radical Left)
TARGET	Trans-European Automated Real-time Gross Settlement Express Transfer System
TPTG	<i>Ta Paidi Tis Galarias</i> (The Children of the Gallery)

## Introduction

This study argues that the so-called Eurozone crisis is a 'crisis' neither in the sense of a "unique, immanent transition phase, or a specific historical epoch" (Roitman 2014: 19), nor in the sense of "signif[ying] a singular moment of decisive judgment" (*ibid*: 16) and political agency in the face of "the discrepancy between the world and what the world ought to be" (*ibid*: 33). At no point was the so-called Eurozone crisis a deviation from the normal operative modes of European Monetary Union, and particularly from the prioritization of banking sector integration over real economic integration which resulted in austere neoliberalism in the European real economy (Holman 2004; Berardi 2012: 37-50; Schäfer and Streeck 2013; Blankenburg et al. 2013). Rather, it marks the seamless continuation of European banking sector integration under conditions of global post-2008 liquidity withdrawal (Claessens et al. 2010; Blyth 2015: 54-62). In this context, designating the continuation as a 'crisis' is a deliberate maneuver allowing the preservation of the European banking circuitry at the expense of European real economic integration (Shambaugh 2012: 158-160).

At the heart of this maneuver were European banking sector balance sheets. In the aftermath of the breakdown of transatlantic wholesale funding after 2007 and 2008, the European banking system came to rely ever more heavily on the asset category primarily eligible to fulfill the function of tier-1 capital: Euro-denominated sovereign bonds (ECB 2013). At the same time, profitably holding sovereign bonds requires a differentiation within this asset category: between core and peripheral bonds (Acharya and Steffen 2013a). I show in this study that the presuppositions for this twofold function of sovereign bonds on bank balance sheets are at odds with the structure of the European real economy. First, I show that, by 2010, the Eurozone's real economy was already too far unified to be operationalized as a set of national economies which

correspond as so many national fundamentals to the sovereign bonds held by European banks.

Imposing this nationalization therefore resulted in effects on the real economic level contradicting and ultimately nullifying the purpose of projecting national economies (Botta 2013). Second, core-periphery differentiation required these supposedly national economies to be constituted as competing recipients of European bank funding at market interest rates, which resulted in self-reinforcing lending withdrawals, once more contradicting and ultimately nullifying the purpose of projecting national economies (Lucarelli 2011). Upholding and implementing the demands of the European banking circuitry despite their self-destructive contradictory character, and protecting the banking system from the effects of its imposition, requires a series of what I call *transpositions*. That this seamless continuation of European banking integration came to be known as 'crisis,' that 'contagion' prevailed and 'austerity' was implemented, that Germany and Greece came to be operationalized as polar opposites in the European political and moral economy, as well as anemic growth and significant unemployment throughout the Eurozone, and ultimately political unrest and the rise of Golden Dawn and SYRIZA, of Podemos and the Five Star Movement, are all surface phenomena resulting from these transpositions.

## 1.2 Conversations

Three of the four core objectives of this study respond to existing conversations: the discussion of the origins of the Eurozone economy's low growth; the narrative of 'crisis,' particularly of sovereign debt; and the question of European real and financial integration. My fourth point introduces the analysis of the so-called Eurozone crisis as the result of what I call transpositions. This allows a simultaneous analysis of the Eurozone's integrated real economy and its contradiction to its financially superimposed nationally disintegrated *alter ego*; the

demands of core-periphery differentiation and their contradiction to the demands on Euro-denominated sovereign bonds as an asset class; and ultimately the workings of 'crisis' discourse and their contradiction to what I maintain is a continuation of long-standing principles of Eurozone integration.

First, I proceed from data showing that the Eurozone currently experiences an extended period of low growth (Shambaugh 2012: 169-175; Muellbauer 2014). I maintain that the origin of this period of low growth are the ripple effects the 2007-2008 financial crisis had on the portfolios of European banks, imposed upon the Eurozone's real economy by bank lending withdrawals and austerity measures (Guillén 2012; Blyth 2015: 51-93). I therefore join the growing literature that criticizes the argument that the growth slump is a result of a sovereign debt crisis (e.g. Muellbauer 2014; Streeck 2015; Blyth 2015: 87-90). However, I radicalize this critique by extending it to the applicability of the notion of 'crisis' as such (Roitman 2014: 92). This critique is intertwined with the third, that of methodological nationalism (Beck and Sznaider 2006).<sup>1</sup>

Conventional narratives of the so-called Eurozone crisis operate within a framework structured by mutually reinforcing discourses of 'crisis' and nationalism. This is particularly the case for the 'sovereign debt crisis' interpretation where it is argued that fiscal profligacy in the European periphery (the GIIPS countries: Greece, Ireland, Italy, Portugal, Spain) had resulted in 'unsustainable' sovereign debt threatening the Eurozone's integrity (Schäuble 2011; Cohen 2012; Visvizi 2012). Yet, existing critiques of this interpretation are likewise insufficient insofar as they concur in arguing that the Eurozone is comprised of national economies too distinct and too different to be united in a common currency (Guillén 2012; Habermas 2012; Streeck 2015). I

---

1 A similar concept, termed 'explanatory nationalism,' can be found in Pogge (2002: 139-141).

reject both of these arguments as methodologically nationalist: in both, “the practice of the argument or the research presupposes that the unit of analysis is the national society or the national state or the combination of both” (Beck and Sznajder 2006: 3).

I argue that the Eurozone's real economy is much more significantly unified than can be recognized in such methodologically nationalist perspectives. This makes its operationalization as a set of distinct national economies an explanandum rather than an explanans: it is an effect of the 'sovereign debt crisis' interpretation. Europe's so-called national economies, while having certain idiosyncratic features, nevertheless constitute a unified European real economy in which these idiosyncrasies are played out against one another as price differentials, product differentials, regulatory and legal differentials, and so forth. I do not, therefore, mean to argue that Eurozone countries are completely unified on an unobstructed Common Single Market “in which there would be free movement of people, money, and goods and services” (McCormick and Olson 2014: 240). On the contrary: price level segmentation along national lines was alive and well throughout the EU even in boom times, particularly for labor markets (Ilzkovitz et al. 2007; Frazer and Marlier 2010). Yet, segmented markets exist in the Eurozone as so many interconnected subcircuits competing against one another in a unified economic field upheld and traversed by the unified European banking circuitry. Their operationalization as nationally specific economies is thus a methodologically nationalist imposition (Guillén 2012; Hall 2014).

A further imposed discourse, 'crisis' reinforces the priority given to the national level in both arguments (and vice versa). It indicates that European unification is an aberration from a national normality whose erroneous character was brought to light by the 'crisis': “the euro crisis reflects durable differences in political economies, whose import was largely unappreciated when European Monetary Union was designed and which have yet to be taken fully into account”

(Hall 2014: 1223). An alternative formulation of the same criticism shows that this combination of 'crisis' discourse and methodological nationalism is predisposed to justifying austerity. Thus, the 'crisis' has shown that a “common monetary regime for the (north European) savings-and-investment economies on the one hand and the (south European) credit-and-consumption economies on the other [which] is quite impossible” (Streeck 2015). Such characterizations of Southern European economies as based on credit and consumption are not too far from arguing that they present a form of debt-based inefficiency (Mitsopoulos and Pelagidis 2011; Visvizi 2012; Reis 2013). This, in turn, can be and has been used to vindicate Northern European interventions, which resulted in austere impositions (European Commission 2010b; Schäuble 2011; Belke 2012).

'Crisis' and methodological nationalism do not accidentally converge here. In all versions of the above narrative, European economic unification is posited as a disruption of the normal national state of European affairs (Daianu 2012). 'Crisis,' in turn, brings this to light: “crisis is mobilized in narrative constructions to mark out or to designate 'moments of truth.'” (Roitman 2014: 3) It identifies a normality (national economies) and an aberration (European integration) (Lane 2012; Belke 2012). My argument against methodological nationalism is therefore also a critique of the diagnostic function of 'crisis.' There is nothing to be diagnosed because the retroactive normalization upon which the diagnosis is based – the nationalist disintegration of the unified European real economy – is part of the normal functioning of the Eurozone's banking sector integration.

Paradoxically, then, the methodologically nationalist disintegration of the Eurozone's real economy serves the purpose of stabilizing the transnational integration of European banking sector circuits. Likewise, and equally paradoxically, 'crisis' discourse with its temporalities of

rupture and decision serve the purpose of maintaining the steady calm of continued banking sector consolidation. This explains how it can be that “[t]he largest banks in the euro area posted their highest combined profit in more than four years, a sign the beleaguered industry may be turning the corner” in August 2015, while the Eurozone's real economic growth remains anemic (Comfort, Munoz and Vögeli 2015). At the origin of methodological nationalism and at the core of the so-called 'crisis' are the structural effects necessary to maintain the profitability of transnationally integrated portfolios in the European banking system (Claessens et al. 2010; Giannone et al. 2011; Blyth 2015: 73-74). Yet, this can only be shown properly once 'crisis' and methodological nationalism are recognized as effects rather than diagnostic tools. Therefore, the object of this study is the simultaneous analysis of the integrated European real economy, the ways in which its financial counterpart imposes its methodologically nationalist disintegration, the austere ramifications of this disintegration for Europe's real economy, and the ways in which 'crisis' discourse retroactively normalizes nationalist disintegration. To combine these, I introduce the concept of 'transposition.'

### 1.3 Transpositions

The term transposition is not meant here in the technical sense used by the European Union, where it denotes the incorporation of a European Commission directive into a member state's national law (European Commission at work 2015). Rather, I use the concept of transposition in this study to uncover a level of analysis of political economy which precedes both the actors of the so-called Eurozone crisis – elected and otherwise – and its classification as a 'crisis,' particularly as a crisis of sovereign debt. 'Transposition' denotes the operation of transferring a discrete number of elements from one medium into another: “Given Medium A, organized as a denumerable collection of discrete elements  $E_1^a \dots E_n^a$ , its transposition into Medium B will

consist in reproducing the internal (syntagmatic and paradigmatic) relations between its elements in the collection “ $E_1^b \dots E_m^b$ ” (Kittler 1990: 265). The antihumanist accentuation of this term is no accident: preceding the level of day-to-day political and economic interactions, transpositions constitute the grid of syntagmatically structured intelligibility which these interactions follow. Thus, they operate on a level where institutions and actors, speech acts and concepts, are fundamentally constituted as socially intelligible elements. For any actor, for example, a syntagmatically structured set of relations must exist delineating the conditions of possibility for this, and no other, actor to act in this, and no other, way. Choice and agency are likewise delineated – though not determined – by this condition of possibility: any action must be intelligible as an action in a certain set of circumstances, and hence as one possible action among many paradigmatically differentiated actions. Every possible social interaction thus relies on certain conditions of possibility and engenders certain sets of choices and outcomes. Transpositions are shifts in these conditions of possibility and among sets of choices and outcomes.

The concept of 'transposition' thus allows a simultaneous analysis of the emergence of social intelligibility at a linguistic level, where meaning is engendered in syntagmatic relations governed by paradigmatic conversions, and its implementation in social practice, where syntagma are enacted praxeologically, governed by axiological conversions. The former analysis originates in structural linguistics, where the concepts of 'syntagmatic' and 'paradigmatic' relations denote two distinct, yet interrelated ways of constituting meaning. In Ferdinand de Saussure's introduction of the term, the 'syntagmatic' mode denotes the emergence of meaning from “[c]ombinations based on sequentiality,” whereby “any unit acquires its value simply in opposition to what precedes, or to what follows, or to both” (Saussure 1983: 121). By

contrast, paradigmatic relations, which Saussure called associative relations, “hold in absentia ... between terms constituting a mnemonic group” (*ibid*: 122), which is to say that they engender the meaning of each element by virtue of the associations it calls forth. Expanding on Saussure's original exposition, subsequent developments applied the concepts of syntagmatic and paradigmatic constitution to various other kinds of systems and forms of signification, such as mental activity, furniture, clothing, and architecture (Barthes 1968: 58-63). In architecture, for example, syntagmata are built from the “[s]equence of the details at the level of the whole building” (*ibid*: 63). A paradigmatic set of architectural associations radiates both from the individual elements of the architecture in question as well as from the building itself: a hotel calls forth a residential dwelling or a hospital; a school a prison; and so forth without end or necessarily ordered sequence (Saussure 1983: 124).

Beyond this level of structural linguistics, the notion of 'transposition' introduces a second layer of analysis, where social intelligibility is enacted praxeologically. Here, the sequence of syntagmatically related elements determines the possible positions, speech acts, and horizons of intelligibility of political actors. The notion of 'transposition' is therefore used in this study to describe the internal relations between the constituent elements of the so-called Eurozone crisis by which these become socially intelligible in coherent syntagmatic and paradigmatic relations, and are subsequently enacted in sequential praxeological relations. Initially, this occurs on the conceptual level. 'Crisis,' for example, is medium insofar as it establishes, delineates, and guarantees the meaning of concepts such as 'panic,' 'irrationality,' or 'urgency'; 'decision,' 'inevitability,' and 'bailout' (Roitman 2014: 12-13). However, 'crisis' itself is also an element embedded into a constitutive relation with the concept of 'normality' and its co-constituents 'tranquility' and 'instability,' which embed it into media (here, financial discourses) (LiPuma and

Lee 2004; Ho 2009). In each case, the sequence of elements is crucial. For example, 'crisis' determines the meaning of 'panic,' gearing it towards a chaotic and disordered temporality, whereas 'decision' determines the meaning of 'crisis,' emphasizing the restitution of order and the potency of political intervention.

Political and economic institutions are socially intelligible elements by virtue of enacting syntagmatic relations in a sequential praxeology (North 1991). They are therefore likewise constituted as mediations: mediating elements (media) and mediated elements. For example, the sovereign nation-state of which methodological nationalism conceives is a syagma consisting of an ordered relationship of a number of elements which must be arranged in a specific sequence to be socially intelligible: territory, undisputed imposition of laws, designated governmental positions, their occupation by specific empirical people, their procedural, spatial and architectural arrangement, etc. (Jessop 1990; Lefebvre 1991: 278-282). Each of these is distinguished within a set of paradigmatic elements: for the territory, unclaimed or disputed geographies, or non-territorial entities such as online states; for the designated governmental positions, similar offices such as state or local offices, or business equivalents such as CEOs and COOs, but also opposites such as whistleblowers and traitors, or even outdated versions such as monarchs and despots. What makes these elements intelligible as a coherent social entity – of a 'state' – is that the notion of 'sovereignty' mediates all other elements (territory, violence, legitimacy...). 'Sovereignty' occupies an initial position in a series of syntagmatic relations resulting in the syagma 'sovereign state' (Jessop 1990: 348-350). It is the medium by which the other elements are syntagmatically distinguished within their paradigmatic counterparts. State territory thus comes to be distinguished from autonomous or disputed territory; the citizen from a club member or a consumer; the president from a CEO.

In turn, this paradigmatic differentiation constitutes an axiological differentiation along which actors and action are constituted. The behavior of an actor in the social role of head of state is determined by this role and its position within the syntagma 'sovereign state.' Thus, the behavior of this actor enacts its axiological specificity governed by its role's paradigmatic differentiation (head of state: not CEO, not consumer, not club member) in practices governed by its role's syntagmatic relations (head of state: representative of territory and population, embodiment of sovereignty and legality).

Syntagmatic relations are subject to conversion when their sequential totality gets transposed, i.e., when the primary mediating element which stood first in the syntagma in question is either replaced with an element from its paradigmatic group or in turn embedded into syntagmatic relations of its own. This changes the meaning of the remaining elements in several possible ways: it can change their meaning while leaving their number intact; it can reduce or increase their number; or it can leave the elements themselves intact while changing their paradigmatic fields. In turn, the possible permutations of actions and actors are transposed when the syntagmatic structure governing their behavior is replaced with a different axiological element governed by the paradigmatic differentiation of their syntagma. For example, Eurozone state sovereignty has come to be transposed by turning nation-states into financial guarantors in the context of the so-called 'crisis.' Here, state sovereignty means the nationalization of banking sector bailouts, i.e., the absence of fiscal solidarity even for sovereigns whose banking sector is disproportionately large (in the case of Belgium's Dexia, larger than its host country's annual GDP) (Guillén 2012: 50; Heise 2012: 51; Acharya and Steffen 2013a). Likewise, in the Greek bailout standoff in summer 2015, sovereignty meant the exit from the Eurozone, however temporary. This was a sovereign decision, no doubt, yet one embedded within the threat of the

banking sector unraveling and financial cascades (Buergin, Bensasson and Chrepa 2015).

In both cases, the element of sovereignty has been transposed in its syntagmatic and paradigmatic relations, thereby converting all other elements of the syntagma in question, the sovereign state, as well. Previously, sovereignty was the medium paradigmatically distinguishing elements of territoriality, indivisibility, and the absolute validity of the laws and regulations imposed upon its corresponding territory (Lefebvre 1991: 312-321). Now, however, it comes to be embedded into syntagmatic lines and paradigmatic fields which harness it as the hypothetical sovereignty to tax used to guarantee the flow-stock conversion in turn guaranteeing the function of sovereign debt as tier-1 capital on banking portfolios (Eaton 1993: 148-150; Guerreri et al. 2012: 181-182). The change is not total: the authority to tax is a part of sovereignty, classically understood. Yet here, this authority is no longer unrestrained. It is, first, earmarked to be used for the purposes of sovereign debt issuance exclusively, which entails, second, that it is subject to mandates to lighten tax burdens for businesses; particularly those in the banking sector (European Commission 2011a; European Commission 2011b). By virtue of this reversal, the state's sovereignty comes to be an element within banking portfolio dynamics, not vice versa (Schäfer and Streeck 2013: 19-21).

To be sure, such harnessing of state power for financial and trade purposes – taxing certain parts of society but not others, regulating certain but not others, and so forth – has long been recognized as a classical element of neoliberal pseudodemocratic statecraft (Streeck 2014). I do not deny that neoliberal technocracy is itself politically contingent, as some actors of the so-called Eurozone crisis have pointed out (Varoufakis 2015b: 90-112). Nevertheless, this does not mean that it is simply at the disposal of political actors in the Eurozone and its so-called 'crisis' (Holman 2004; Harmes 2006; Streeck 2014). Political decisions are praxeological operations

governed by syntagmatic relations which are distinguished axiologically among paradigmatic fields, not vice versa. Transpositions have social, political, ethical, and cultural effects, not vice versa. Behavior and agency are not determined, but their contingency operates within given paradigmatic fields structured by syntagmatic relations.

Describing these effects where they occur and where they are contingent – at the level of the constitution of social intelligibility as such – requires an anti-behavioralist, anti-psychologist, and anti-individualist stance. Only then is it possible, for example, to show that characterizations of the so-called Eurozone crisis as a result of 'market behavior,' 'trader psychology,' or simple 'panic,' are neither altogether false nor simply true (De Grauwe and Ji 2013). They are part of the seamless continuation of normal European financial integration, dissimulated by the 'crisis' discourse used to uphold just this continuity.

By the same token, describing a political field at the point of its emergence uncovers a level of politicality prior to human action. Human action is a result of the social position occupied by the actor. Each is embedded into a praxeological field of possible choices governed by syntagmatic relations within the syagma generating the social position: the head of state, for example is intelligible as such only within specific syntagmata, enacted by practices governed in turn by the relations internal to these syntagmata. Likewise, the possible extent of these actions, as well as their ramifications, is governed by the axiological differentiation governed by the paradigmatic distinctions by which the syagma in question comes to be this, and no other, syagma. The paradigmatic inscription into specific syntagmatic relations, as opposed to the possible range of others, delineates the structure of power-effects enacted by the actors, positions, and speech acts in question.

Syntagmatic relations and their transpositions, enacted praxeologically, therefore have

institutional power-effects, aligning actors, institutions, and actor-positions in relations of relative influence over the totality of transpositions and their distributive effects (Galbraith 1956; Mills 2000: 3-29). It is not the individual bank employee or bank, but the European banking circuitry as a whole, which is situated at the core of all European transpositions and is principally responsible for and benefitting from the crisis. To be sure, “a weak economy can damage banks” by resulting in a private or sovereign inability to repay loans (Shambaugh 2012: 200). Yet, the banking system can always reallocate towards safety (Schuknecht et al. 2010; Dany et al. 2015). For riskier income, it can “bet that Eurozone countries would converge,” allowing it to “pocket the … spread between the long-term peripheral sovereign bonds and banks’ short-term funding costs” (Acharya and Steffen 2013a: 2-3). Ultimately, when both strategies fail, it can harness the European nation-states to bail it out, thus serving as what chapter two calls extra-market hedges (Lane 2012: 49; Heise 2012: 60). Nevertheless, no shady deals between cunning bankers and European commissioners were at the heart of the so-called crisis, although the LuxLeaks scandal, if properly investigated, may show that some of its surface effects did indeed take on this form (Baboulias 2014). Rather, tier-1 capital on banking portfolios requires the country-fundamental transposition, which in turn requires methodological nationalism, which is at the heart of the so-called crisis. The syntagmatic relations resulting from the transposition of sovereign states into fundamentals govern the practices enacted by classes of actors operating from specific positions within their syntagmata. Power is not a question of individual action, but rather of institutionally delineated differentials structuring the behavior of intelligible actors.

The notion of 'transposition' therefore marks a twofold intervention: a temporal intervention against the concept of the so-called Eurozone crisis as a shock to a preceding normal economic tranquility, as well as an ontological intervention into the analysis of the so-called Eurozone

crisis as an exogenous shock to normal national economies. In the temporal sense, 'transposition' constitutes an intervention because it dissolves the so-called Eurozone crisis into its constituent elements: a banking sector lending dearth in combination with technicalities of sovereign debt; the destructive political economy of austerity; the virtuous benchmark status of Germany; the collapse of social democratic parties attempting to implement austerity; the form of the nation-state and national economy itself. Moreover, transpositions allow a redescription of these elements without invoking the 'crisis' trope, treating it rather as an element to be explained. 'Crisis' narrative suspends radical historicity by limiting the constituent elements of its narrative to pre-crisis equilibrium, crisis turbulence and judgment, and post-crisis re-equilibration (Iversen 2007). Yet, the former is not tranquility, and the latter is not a return to equilibrium (Minsky 2008). There is no normal state in which historicity is directional and its contingency suspended (Roitman 2014: 81-90).

The concept of transposition marks an intervention replacing this static with a dynamic ontology. In the static ontology of 'crisis,' given syntagma (actors and institutions) encounter extraordinary times, only to return to equilibrium. By contrast, the dynamic ontology of transposition situates historicity within the internal relations of the syntagma in question. Thus, I do not deny that the banking system in Europe, or Greek crony capitalism, or the *Modell Deutschland*, all existed prior to 2009 and continue to exist. Yet, as each chapter explains, these syntagma are all now reconstituted by their synchronic reinscription into changed paradigmatic relations, which is to say, as, and through, their transposition. In turn, this reinscription reconstitutes the intelligibility of actions enacted by actors: history, including its actors, is constituted from the perspective of the present rather than the past.

For example, it is not *Hartz IV* and *Modell Deutschland* that made Germany the

paradigmatic case of austerity. German sovereign bonds after 2010 are not simply investments into safety. They become 'safe havens,' joining a very small, illustrious club of sovereign bond issuers largely populated by the United States alone (Schuknecht et al. 2010). This is more than an investment strategy; it is a reinterpretation of Germany's pre-'crisis' history in terms of its benchmark status. To be sure, one could narrate Germany's 1999-2009 history as an ascent "from sick man of Europe to economic superstar" without the Eurozone crisis context (Dustmann et al. 2014). Yet, its elevation to a moral beacon for the entire Eurozone, its contradistinction to Greece, and its attraction for carry trades, cannot be explained without its transposition to European benchmark. Nor is Greece's crony capitalism the reason why Greece is posited as the polar opposite of Germany (European Commission 2010b; Mitsopoulos and Pelagidis 2011; Visvizi 2012). Rather, the countries' respective elevation and demotion to these positions is a function of the European austerity transposition which requires a moral overdetermination of their respective political economies. It is the austere transposition which posits them as such, not their histories. Rather, these histories are reconstituted according to the syntagmatic relations resulting from the underlying transposition.

By the same token, an intervention against the 'crisis' notion and its suspension of historicity is an intervention against methodological nationalism. I reject the analytical lens of given national economies undergoing European economic unification – the Eurozone and its so-called crisis – as expansionary and contracting shocks (Becker 2009: 95-99; Callaghan and Ido 2012: 8-11; Lane 2006; Lane 2012). Rather, the Eurozone's national economies are transposed – their internal syntagmatic relations are paradigmatically reinscribed – by the necessities of the European banking circuitry after 2009: national sovereignty as bailout authority, fiscal solvency as liquidity, social and labor market policies as optimizations towards austere competitiveness,

party systems as transmission belts implementing austerity, regional and local economies as fields of optimized investment differentiation.

Likewise, the analysis of transpositions restores historicity – and hence the possibility of political intervention – without recourse to either macro-historical discourses of nation-states in crisis, or to the *acte gratuit* of human intentionality. Individual initiative and behavior, psychosocial factors and attention spans do not enter this study's view (Marazzi 2008; Berardi 2012). Nor does it matter whether Yanis Varoufakis was a “rock star” (Mason 2015) or Wolfgang Schäuble a “veteran” skillfully executing the austerity mandate his electorate gave him (Troianovsky and Thomas 2015). In both cases, as well as for the rest of the phenomena described by this dissertation, individual actors – investors, elected officials, journalists – are effects of the syntagmatically mediated and paradigmatically distinguished positions they occupy, and which they in turn praxiologically enact. Transpositions are the irreducible horizon of intelligibility of political actors in each given situation.

Consider, for example, austerity. 'Crisis' discourse depoliticizes austerity as “structural reforms that are the only route to sustainable growth” (Rachmann 2012) amid “daunting structural challenges” (European Commission 2011a: 14). Here, notions of necessity prevent historicization by prioritizing the “construction of history from a negative formulation” over questioning the status of the normality from which this negativity deviated (Roitman 2014: 92). The normality to be restored here is national competitiveness (European Commission 2011a; European Commission 2011b). After all, “there is no reason to believe that the markets are now suddenly prepared to fund wider deficits in Southern Europe” (Rachmann 2012). The historically contingent – hence, political – character of national competitiveness, and indeed the national scope itself, are thereby dissimulated.

Yet, conventional repoliticizations without the concept of transposition have proceeded only from concepts which are themselves susceptible to assimilation by 'crisis' discourse. Thus, austerity has been politicized as a conflict between nations, pitting the Eurozone against Greece, "a nation stripped of its dignity, its sovereignty, its future" (Moore 2015). Alternatively, it was politicized as a conflict between persons, as former Greek finance minister Yanis Varoufakis did in his first interview after being sacked in the summer of 2015: "You put forward an argument that you've really worked on – to make sure it's logically coherent – and you're just faced with blank stares ... [the Eurogroup is controlled] by the finance minister of Germany. It acts all like a very well-tuned orchestra and [Schäuble] is the director" (Varoufakis and Lambert 2015). In both cases, historicity and the possibility of political intervention seemed to be restored by discourses countering the necessity and machinic execution of austerity (Zizek 2015).

However, both narratives are susceptible to assimilation by 'crisis.' Pitting nation-states against one another depends on operationalizing the 'crisis' as one which, as stated above, exposes the presupposed impossibility of Eurozone integration. To be sure, it is contingent whether the political conclusion to be drawn from this narrative is further European integration at the expense of the nation-state, or a return to statehood (Habermas 2012). Yet, contingency between only two outcomes is hardly radical political contingency. The same holds for the option of historicizing and politicizing via so-called human agency. The blank stares Yanis Varoufakis encountered in the Eurogroup in June 2015 were not those of humans, finance ministers of Eurozone states. They were the eyes of the European banking circuitry itself, whose country-fundamental transposition manifested here in ostensibly human form. Their own fanciful illusions and those of TIME magazine notwithstanding, neither Angela Merkel nor Wolfgang Schäuble had more agency in this situation than was inherent in the syntagmatic relations from

which they were able to act (Blyth 2015: 90). The country-fundamental transposition alone, and its austere incarnation, were contingent and are contingent (Brunsden 2015). The contingency of agency is intelligible contingency, which is to say, syntagmatically structured and paradigmatically differentiated contingency.

#### 1.4 Scale and Scope

Customarily, the so-called Eurozone crisis is said to have begun in October 2009 “when the newly elected Greek Prime Minister, George Papandreou, announced … that the budgetary deficit was 12.8 percent of GDP instead of the much lower levels previously announced” (Verdun 2012: xvii; cf. Cohen 2012: 693-694; Shambaugh 2012: 158-161). Yet this announcement is at best a catalyst, not a cause of the so-called crisis (Berend 2013: 27-59; Blyth 2015: 62-71). I begin my analysis instead with the effects of the breakdown of mostly American wholesale funding of 2007 and 2008 (Claessens et al. 2010; Giannone et al. 2011). Proceeding from this point, I analyze as a unified whole what other authors have distinguished to be several so-called crises: the ripple effects of the U.S. subprime crisis in 2008, followed by bank bailouts across Europe, the Southern European crisis of efficiency and governmental profligacy throughout European Monetary Union and surfacing in 2009, the European banking liquidity crisis of 2009 through 2013 and beyond, European institutional and Constitutional crises after 2010, the ongoing growth crisis throughout the Eurozone, and the elections and third bailout in Greece in 2015 (Shambaugh 2012; Cohen 2012; Blyth 2015).

The cut-off point of this study is Greece's third bailout package in the summer of 2015 which, it seems to me, is the last act on the Eurozone's scenery which can be explained solely by having recourse to elements of the so-called Eurozone crisis (Krugman 2015; Owen Jones 2015; Moore 2015). Everything after, including the Portuguese and Spanish parliamentary elections of

late 2015, are increasingly determined by the successor 'crisis,' namely, the 'refugee crisis.' In the Spanish case, for example, the rise of anti-austerity party *Podemos* ('We can') has often been compared to that of Greece's SYRIZA (Nik Martin 2015). Yet, while Spain's current economic and political situation is still characterized by the effects of Spanish austerity, the challenges it faces are increasingly overdetermined by the problem of refugees (Hedgecoe 2015b).

Geographically, I limit my scope to the Eurozone itself (EU-17 until 2014, when Latvia joined, and now EU-19 including Lithuania). I thereby disregard the Eastern European, Icelandic, and Middle Eastern liquidity and solvency troubles of 2008 and 2009. This is likewise not an uncommon perspective (Bastasin 2012; Cohen 2012).

### 1.5 Overview of the argument

The first step of my study is the rejection of the 'sovereign debt crisis' interpretation. To be sure, the Greek and, to a lesser extent, the Portuguese governments were troubled by high ratios of public debt to GDP in 2009 (Bastasin 2012: 191). This was attributed to having "lived beyond their means and failed to get their welfare systems and national budgets in order on time. Under the cover of a unified currency, they continued with their same bad habits" (ibid: 104). Yet, the periphery's debt levels were only judged to be unsustainable when the European banking circuitry came under distress from the 2007-2008 financial meltdown and relied more heavily on government debt to secure their portfolios (Ehrmann et al. 2011). Moreover, the 'unsustainable' debt load of Spain and Ireland emerged directly from this distress, as these countries' governments had to accrue public debt to bail out private debt stemming from banking and housing bubbles (Palcic and Reeves 2011: 190; Pascual-Ramsay 2014: 46-47). Italy came under stress only later when self-fulfilling interest rate hikes occurred (Belke 2012: 685).

In each case, the European banking circuitry had primary responsibility for the debt load of

governments which supposedly caused the crisis (Shambaugh 2012). I therefore begin my analysis with the European banking circuitry and “the greatest bait-and-switch operation in modern history,” whereby “essentially private-sector debt problems,” such as the Irish and Spanish housing bubbles as well as sovereign debt carry trades, “were rechristened as 'the Debt' generated by 'out-of-control' public spending” (Blyth 2015: 73). Nevertheless, I analyze Blyth's 'bait-and-switch' here through a different lens, arguing that regulatory technicalities, combined with long-standing neoliberal rollback policies directed against state capacities, led to a situation where a restructuring of European banking portfolios came to be dissimulated as a sovereign debt crisis (ECB 2010a; ECB 2012; Mirowski 2013; Streeck 2015). Yet what really occurred was what I call the country-fundamental transposition, turning the Eurozone's member states – Germany and France just as much as Greece and Portugal – into hedging functions for bank portfolios (Lane 2012). Producing sovereign bonds which are accepted as tier-1 assets by European regulators and hence serve as intra-market hedges, Eurozone countries also served as sources for bank bailout capacities after the 2007-2008 crash and again in the context of the post-2013 banking union (European Commission 2014c).

To this end, the nation-states' capacities had to be modulated: each had to be transposed into a fundamental. This transposition contains several subsidiary conversions. Converting the Eurozone member state to serve as intra-market hedge as well as extra-market hedge, national sovereignty must be converted from an ability to renege on debt and leave the Eurozone, so annoyingly demonstrated in Greece's June 2015 referendum (Yardley 2015b), to a guarantee that the nation-state will use its sovereignty to repay its debt (Eaton 1993: 166; Mundell 1996: 77; Panizza 2010: 91-107). This requires a conversion in line with the specifically European variation of neoliberal state rollbacks, the conversion of extra-economic sovereignty to intra-

economic sovereignty (Holman 2004; Harmes 2006; Becker 2009: 95-99). Thus, the European banking system insures itself by using member states as vehicles to repay itself (Gore and Roy 2012). This is not at all unusual, as I show here. The liquidity-solvency conversion forces member states to borrow, at market interest rates, the money used to bail out the banking system that sets the interest rates for further borrowing (Schäfer and Streeck 2013). Perhaps this is a bait-and-switch technique, as Blyth argues. Yet, in any case, it is an unchanged, perfectly normal policy of the European banking system (Acharya and Steffen 2013b). By the same token, chapter two shows that 'crisis' is an insufficient way to analyze the mechanics at the core of the so-called Eurozone crisis (Roitman 2014: 81-90).

In chapter three, I discuss austerity, doubtless a central issue ever since Greece's policies have been said to be the source of European sovereign contagion (Berend 2013; Krugman 2015). Austerity is analyzed here in a way that differs from its customary interpretations in at least two ways. Firstly, I argue that austerity is destructive and thus interested neither in growth nor in competitiveness. Secondly, I argue that it is nevertheless not a deliberately malicious policy brought onto hapless Greeks by spiteful or deluded Germans (Krugman 2012a). Despite its genealogy that situates it mainly in Germany, I maintain here that austerity is not a German phenomenon. Rather, in the context of the so-called Eurozone crisis, Germany is an austere phenomenon. Germany, embedded into the conversions of austerity, can only enact the syntagmatic relations given to it by the austerity paradigm. Thus, Germany comes to be syntagmatically structured no longer to be a nation-state (a country), but a 'safe haven' (a fundamental), and no longer a 'German economy,' but an austere benchmark: the benchmark necessary to maintain competitive disinflation along with interest spreads, thus securing both the structural integrity and the profitability of the European banking sector's tier-1 capital (Harmes

2006; Krishnamurty et al. 2014).

Austerity, like the country-fundamental transposition, consists of multiple conversions. First, it converts what is really a European real economy into supposedly national economies, thus forming a counterpart to the country-fundamental transpositions discussed from a banking perspective in chapter two (Blyth 2015: 90). Second, these economies are constituted as debt-servicing entities, operationalized as such by the liquidity-solvency conversion as well as the conversion of extra-economic sovereignty to intra-economic sovereignty, both of which are discussed in chapter two (Krugman 2015). Third and finally, austerity subjects the economies it has constituted to an endlessly destructive dynamic in which consumption itself, demand itself, and spending itself are subject to moralistic rejection.

The third conversion makes austerity a movement of pure economic contraction, subjecting any real economy upon which it is imposed to the destruction of ever more of its productive capacities. Not only does austerity drastically reduce demand by cutting the country's social expenses and reducing employment security (Elson 2013). It also reduces the supply side of the real economy subjected to it, partly due to its concomitant political unrest, partly by discouraging bank lending in an ever more doubtful investment climate (Ponticelli and Voth 2011). The third conversion contained in the austerity transposition thus at once underlies and undermines the previous two since it removes all abilities of the affected economies to ever repay their debt (Schiaffino 2013; IMF 2015).

This does not make austerity irrational, even though its purported rationality rests, as I show in the chapter, on shaky assumptions with regard to spending patterns (Demopoulos and Yannacopoulos 2012). Its rationality is rather that of an unlimited and aneconomic modulation of the country-fundamental transposition. It exacerbates the differentiation between German 'safe

haven' bonds and peripheral risk investments (Schuknecht et al. 2010), turning it into a moral differentiation between Greek lazy cronyism and German hard-working thrift (Krugman 2012b; Owen Jones 2015). Only by virtue of this peculiar moral escalation can austerity be said to be German (Krugman 2015). Yet, I argue that it is not German economic history which is opposed here to Greek economic history, nor German thrift to Greek recklessness. In the context of the so-called Eurozone crisis, the paradigm of their differentiation is not a political, but a moral economy, in which Germany *is* thrift and Greece *is* recklessness: they are syntagmatically structured as benchmarks of a European moral economic field.

In the remaining chapters of this study, I show that Germany and Greece are overestimated and overestimate themselves when operationalized this way. I discuss the ramifications of the combination of banking sector transpositions and austerity on the European real economy; examining Germany's real economy (chapter four), Greece (chapter five), Ireland, Portugal, Italy and Spain (chapter six). With the case of Germany, chapter four discusses the benchmark that ostensibly vindicates the transposition of a unified European economy into distinct and self-destructively austere national economies. Germany's strong position – often characterized as hegemonic (Schild 2013; Galbraith et al. 2014; Moore 2015) – is said to be due to *Modell Deutschland*, an economy which has managed to turn itself “from sick man of Europe to economic superstar” (Dustmann et al. 2014). In turn, this is attributed to Germany's *Hartz IV* reforms giving it the competitiveness necessary for exemplary economic performance on a national scale, along with a population purportedly willing to maintain austere thrift (European Commission 2010c; Kahanec and Fabo 2013).

Each aspect of this narrative requires problematization. First, Germany's sovereign debt interest rates were not low during the so-called crisis because investors trusted its fundamentals

as opposed to those of the GIIPS countries. Rather, Germany's low – at times negative – interest rates were due to the same kind of self-reinforcing dynamics as those of the periphery. The liquidity-solvency conversion here had an attractive rather than repulsive effect (Dany et al. 2015). Second, low labor cost in Germany, widely credited for its economy's strength, was due to an accounting trick: an actuarial nationalism aggregating low wages in East and North Germany with their higher counterparts in West and South Germany, thus giving the impression of generally high competitiveness (Krieger-Boden 2008; Young and Semmler 2013). Third, Germany's export prowess during the so-called crisis was substantially due to its ability to substitute Chinese for European demand (Lucarelli 2011). Fourth and finally, Germany's economic strength has been based on a peculiar economic structure. Most of Germany's value-added consists in the coordination of global production processes (Sabel 1994; Herrigel 2010). It is thus impossible for other countries to emulate *Modell Deutschland*, and not only because not every economy can specialize in coordinating other economies. More importantly, the *Modell* is not a *Modell Deutschland* at all, but rather the result of a European economic geography allowing one country to parasitically profit from financial flights-to-safety and an irreproducible real economic structure. Germany's short-sighted and self-congratulatory austere nationalism ignores these factors and indeed must ignore them. This is not so much because German politicians have no deeper knowledge of economic realities, although that is true as well.<sup>2</sup> Rather, they all too faithfully fulfill their function. Germany, its past and its present, are a sub-unit within

---

2 As early as 2012, Paul Krugman wrote about the Spanish bailout: "More austerity serves no useful purpose; the truly irrational players here are the allegedly serious politicians and officials demanding ever more pain"; particularly German officials in thrall of "the cult of austerity, by the belief that budget deficits, not mass unemployment, are the clear and present danger." (Krugman 2012b) Writing two years later, Timothy Geithner agreed, calling the German "desire to impose losses on reckless borrowers and lenders" "terribly counterproductive" and austerity "wildly unrealistic." (2014: 445, 448) It is indeed not hard to imagine that Wolfgang Schäuble and Jeroen Dijsselbloem know very little about Greece's economic situation when even the "initial assumptions, concerning projected paths of GDP, domestic demand, and unemployment ... that structured [the] Greek [2012] programs' outcome expectations were off by twenty, twenty-four, and seventeen percentage points respectively" (Blyth 2015: 257)

the European austere transposition.

Chapter five discusses Greece. The stand-offs between Germany's finance minister Wolfgang Schäuble and Greece's former finance minister Yanis Varoufakis between January and June 2015 seemed to confirm the notion that one of the most important axes of the so-called Eurozone crisis was the conflict between Germany and Greece, with each country exemplifying a subset of European national economies (Owen Jones 2015). This chapter concurs to the extent that Greece exemplifies the polar opposite result of Germany with regard to the transpositions set in motion by austerity. In this case, I show the intimate connection between economic contraction and political unrest often recognized as a result of austerity (Ponticelli and Voth 2011). However, in the Greek as well as in the German case, austerity constitutes 'Greece' as a syntagmatically embedded and paradigmatically differentiated element of the austerity transposition: Germany's polar opposite, the principal aberration within Europe's moral economy. Anyone attributing Greece's position either to its exemplary economic recklessness (exemplary, that is, for the other real economies lumped into the GIIPS category) or its exemplary political potential (SYRIZA's election as a turning point in the European struggle against austerity) overestimates its significance (Guinan 2014; Wainwright 2014).

Much as in the German case, the conversions contained in the austere transposition – the constitution of a European subcircuit as a national economy, the implementation of competitive disinflation into this economy, and its moral overdetermination towards aneconomic self-annihilation – are applied to the elements of 'Greece' in generalizable ways and with non-generalizable results. Greece's duality of official crony capitalism and Europe's most active Left (Sakellaropoulos 2008; Lynteris 2011), the internal conflicts between SYRIZA, communists, and anarchists (TPTG 2011b; Wainwright 2014), and an anticolonial or postcolonial nationalism

resulting from German occupation and military dictatorship are all transposed by austerity to form an explosive totality, which does not, however, have the significance to the European political field often attributed to them (Varoufakis 2015a; Zizek 2015). Greece might be a debt colony (Beeton 2013) and a neoliberal petri dish (Butler and Athanasiou 2013), but, more importantly, my analysis finds that Greece, like Germany, is more a part of a European movement of austere self-destruction than an exemplary site.

Greece therefore does not at all represent an exemplary case of the European Left (SYRIZA, PASOK, Greek anarchists) giving in to the self-destructive nationalism which is an integral part of the transposition of the European economy into supposedly national economies through austerity. Moreover, they are subject, as every other European movement, to the destructive conversions set in motion by austerity's third aspect, the attempt to achieve an impossible economy of pure contraction. Each of the pre-'crisis' elements of the Greek political scene remains; yet each of them is also reconstituted by the austere transposition. Moreover, once again, transpositions precede actors, constituting them in specific syntagmatic relations and endowing them with specific avenues of contingent action. For example, I show in this chapter how the Greek conservatives (New Democracy) and social democrats (PASOK) succumbed to the dynamics of collapse inherent in the destructive radicalization of austere technocracy, and also show how the Greek Communist Party KKE has continued the tendency of radical Left oppositions in Europe to remain in haughty isolation. Thus, I examine how Greece's anarchist resistance to austerity has engaged in self-destructive soul-searching after the death of three bystanders in a demonstration in Athens in 2012; and how ultimately even SYRIZA's electoral victory led them to form a coalition with nationalist right-wing populists ANEL rather than with pro-European parties after January 2015.

This movement is European rather than national in character and, as the chapters on Germany and Greece show, older than the so-called crisis. In chapter six, I build on these findings and return to analyzing the so-called Eurozone crisis from the general European perspective described in chapter two. Now unobstructed by assumptions of German or Greek significance, I discuss the economies of Portugal and Ireland as well as Spain and Italy as European sub-circuits in a circuitist framework (Graziani 2003). I endorse the view that the current state of the European real economy (whose social toll has already been discussed in the Greek example) is primarily a phenomenon engendered by the refusal of European banks to lend to businesses (Shambaugh 2012).

Having discussed this point, each of the case studies argues that the so-called Eurozone crisis has nevertheless not been the decisive temporal shock it has been said to constitute (Callaghan and Ido 2012: 8-11). The lending dearth is a reversal of flows whose abundance prior to 2009 had worked along the same channels as its withdrawal after 2009. However, this is not because there has been a steady development without crisis or rupture. Rather, here as elsewhere, I intervene against 'crisis' because its historicity is not radical enough. For each country, a continuity of lending structures (subject to a reversal of the direction of flows: into the bubble, out of the bubble), market and labor policies (subject to an acceleration: from parliamentary negotiated proto-austerity to executive-mandated austerity), and social movements has prevailed. Yet, this seeming continuity is also the result of radical discontinuity. It is posited by the European banking circuitry for investment purposes, subjecting these countries to the demands of austerity and the country-fundamental's conversions. Thus, the continuity of pre-'crisis' proto-austerity with 'crisis' austerity is the result of the latter transposing the former, not the opposite.

I discuss Portugal first, showing that it was not governmental profligacy, but rather the

structure of the Portuguese sub-unit of the European banking circuit that caused Portugal's economic slump. Rather than being a result of the so-called crisis, this slump had been consistent ever since Portugal's accession to European Monetary Union, which also implies that sovereign debt has nothing to do with it (Reis 2013). In the subsequent section, I continue by challenging the notion that Ireland's austerity is in any meaningful sense a 'crisis' phenomenon. Rather, its neoliberal overhaul had resulted in a credit-based economy, with all its vulnerabilities, long before 2009 (Considine and Dukelow 2011). Subsequently, I subject Italy and Spain to a closer analysis too. Here, I argue that not only Spanish and Italian economic factors – labor market policies, union densities, regional political, economic, and regulatory differences, factor specializations – are effects of European bank lending, but also aspects of their political systems. Particularly, I examine Spain's regional governmental structure as well as Italy's North-South divide in this regard, finding a direct correlation between them and differentiated bank lending (A'hearn and Venables 2013; Lastra-Anadón 2013). Moreover, my analyses show that the political economies of these countries are not only supranationally embedded, but also unaffected by 'crisis.' In the Italian case, the record of pre-2009 economic expansion is rather dubious (Emmott 2012: 79; di Nino et al. 2013: 352-353). In both countries, labor market policies and factor specializations have been largely unaffected or, if affected, have been involved in the so-called crisis in ways which are not encompassed by the discourses of contraction or lack of competitiveness (European Commission 2012b).

I do not mean to argue that there are *no* discontinuities from 'pre-crisis' to 'crisis' to 'crisis response' times. Nor do I argue that Spain has *no* distinct national political, social, or economic features. My argument is rather that these national features constitute transmission belts for the profit of the European banking circuitry which existed prior to the so-called crisis as well as

during it. The vast majority of all social, political, and economic effects situated in Spain's territory in the context of the European Monetary Union and its so-called crisis are indeed European in character, effortlessly traversing the Spanish border. 'Spain' does exist. Yet, it is less than a country: it is an effect of methodologically nationalist transpositions reconstituting a European economic subcircuit as a supposedly national entity.

Likewise, I make a twofold argument regarding the temporality of the so-called crisis. First, the majority of all social, political and economic effects prevailing in Spain's territory continue from the pre-'crisis' context of European Monetary Union into the so-called crisis. Modes of implementation and severity change, but neither justifications nor effects have changed significantly, nor have their distributive effects (Hamann 2012). To be sure, there is a handful of changes in kind, such as the newly instituted conditionality attached to funding for regions (Lastra-Anadón 2013). Yet, even these are continuations in the goals, if not the modes of implementation, of European deflationary contraction as imposed on the so-called Spanish economy in 'boom' and 'bust' alike. Spain did go through a tumultuous period. Yet, this tumult was merely a reversal along the lines of continuous structures. The same applies to Italy and, ultimately, to the entire Eurozone.

## Banking

In this chapter, I analyze the foundational transposition underlying and structuring the so-called Eurozone crisis. The overarching argument of this chapter is that a mere technicality governing the structure of European banking sector balance sheets shapes, if not determines, all aspects of the so-called Eurozone crisis. Upholding this technicality is of utmost importance to the banking circuitry. It is the regulatory status of any Euro-denominated sovereign's debt (German as much as Greek or Portuguese) as tier-1 capital on bank balance sheets. All phenomena of the so-called Eurozone crisis emanate from the structural presuppositions necessary to uphold this status: carry trades speculating on interest rate differentiations, flights-to-safety engendering vicious interest rate mark-up spirals for the 'periphery' and virtuous spirals for the 'core' of the Eurozone; austerity and credit developments, and so forth (Schuknecht et al. 2010; Acharya and Steffen 2013a; Dany et al. 2015). This chapter therefore agrees with Mark Blyth and others who argued that the European banking circuitry is at the heart of the so-called crisis and that sovereign debt and solvency problems are derivative effects of banking sector portfolio reallocations (Blyth 2015: 87-90). Yet, my argument differs fundamentally in several respects.

First, unlike Blyth, I shift emphasis from the behavior of European actors and particularly the banking system to the syntagmatic relations whose paradigmatic differentiations govern this behavior. European banks may have engaged in a “bait-and-switch” operation by which “private-sector weaknesses ended up creating public-sector liabilities that European publics now have to pay for” (Blyth 2015: 73). Yet the condition of possibility for this operation was neither banking sector behavior nor the Euro as a “doomsday device” (*ibid*: 78). Rather, the banking circuitry constitutes a mechanism structured to exploit a particular set of syntagmatic and paradigmatic

effects which I call the country-fundamental transposition and which underlies the tier-1 capital eligibility of sovereign bonds on bank balance sheets, which is the origin and purpose of the so-called Eurozone crisis. European banks are embedded into this transposition just as Eurozone member countries are – though the benefits are unilaterally distributed in favor of the former.

Second, my analysis differs from that of Blyth in that I contend that there was no 'crisis' in a meaningful sense in the Eurozone after 2009. That is, there was no juncture of political contingency, intensifying developments which had accumulated before to a point of rupture and decision (Roitman 2014: 29). Rather, I argue that the events of the so-called Eurozone crisis constitute a continuation, and indeed an acceleration, of older paths of European institutional economy: banking sector integration; real economic disintegration and austere competition; neoliberal antidemocracy (Schäfer and Streeck 2013). Moreover, the so-called crisis is sufficiently described by the mechanisms discussed in this chapter (the country-fundamental transposition) and chapter three (the austerity transposition), without resorting to narratives of tension and confusion among human actors, as conventional narratives do (Bastasin 2012). The long nights of negotiations in Brussels, the blank faces Yanis Varoufakis encountered in Eurogroup meetings, Wolfgang Schäuble's one-dimensional fanaticism and Jean-Claude Juncker's corruption are all irrelevant for the explanation of the core of the so-called Eurozone crisis. Its essence is pre-human and pre-behavioral; a sequence of paradigmatic conversions engendering syntagmatic effects.

The sections of this chapter are organized as follows. I engage, first, the notion of sovereign debt as it is conceptualized through the lens of the Securities Markets Programme (SMP) of 2010, and Outright Monetary Transactions (OMT), inaugurated in 2012. The discussion begins here since the two programs responded to what the 'crisis' was from the perspective of European

actors: a European crisis of sovereign debt for which reckless governments – not lenders, nor private debt – are responsible (Pusch 2012: 1-2). Second, I develop a critique of the notion underlying the sovereign debt interpretation of the so-called crisis, namely, that sovereign bond interest rates represent the economic fundamentals of the corresponding country, and thus that risk premia mark-ups reflect fiscal mismanagement (Mota et al. 2015). Rather, I show that sovereign debt interest rate mark-ups are the result of withdrawals of liquidity from primary sovereign bond markets, constraining governments' debt roll-over capabilities (Belke 2012: 685). By raising interest rates for these governments, markets add distress to already precarious funding conditions, converting liquidity withdrawals into solvency crises (Botta 2013: 464).

I call the mechanism by which the European banking system achieves this the *country-fundamental transposition*. At the heart of this transposition is what I call flow-stock conversion, the economic presupposition allowing the status of sovereign bonds as tier-1 capital on banks' portfolios. This conversion consists of repurposing sovereign bonds, issued as a fiscal instrument, to assets primarily fulfilling a portfolio function. Because the issuance of sovereign bonds can fulfill its fiscal function only due to their promise of guaranteed full repayment, financial actors can assume eventual full repayment to be fulfilled by every government issuing sovereign debt. Thus, sovereign bonds can serve as tier-1 capital (Demopoulos and Yannacopoulos 2012; BIS 2013). The European banking system, as principal customer for these bonds, can thus use them for carry trade purposes – differentiating between 'core' and 'periphery' within an asset class where all bonds are eligible for tier-1 capital status (Acharya and Steffen 2013a; Acharya and Steffen 2013b).

As a result, I argue that interbank market pressures (liquidity withdrawals) engender fiscal pressures (solvency problems), not the opposite. However, the scope of the country-fundamental

transposition extends beyond this immediate level to other conversions either resulting from or presupposed by the flow-stock conversion. The first of these is the distinction between intra-economic sovereignty and extra-economic sovereignty. The latter is the country's sovereignty, conventionally understood – in this case, its ability to renege on its debt obligations. With the former, I denote here the country's sovereignty as operationalized by the structure of the flow-stock conversion. The result of this conversion is what I call the fundamental, the principal structure resulting from the totality of all conversions discussed in this chapter. The fundamental is a structure *sui generis*, a transposed country operationalized in its fiscal and economic developments by the demands of the European banking circuitry, not the opposite.

Rounding out this chapter's analysis of countries as operationalized by the interbank market, I propose the concepts of intra-market hedges (sovereign debt securities as tier-1 capital) opposed to extra-market hedges (bailouts: asset relief and recapitalization measures), both of which simultaneously rely on and engender the liquidity-solvency conversion mentioned above. Finally, I explore the depoliticized continuities extending from the neoliberal antecedents of European Monetary Union to the equally neoliberal structures within which the post-2007 bailouts, the post-2009 'crisis,' and the country-fundamental transposition occurred. The latter, which keeps them all together, is the centerpiece of the so-called 'Eurozone crisis.' The analysis of its constituent conversions is therefore simultaneously an analysis of what allows the country-fundamental transposition to be designated as a 'crisis,' and why this framework is not accurate; and of what allows it to be framed as a sovereign debt crisis, and why this framework is likewise not accurate.

## 2.2 The so-called sovereign debt crisis

It is customary to locate the starting point of the so-called 'Eurozone crisis' in Greece, in

October 2009, when finance minister George Papakonstantinou revealed that the Greek fiscal deficit was twice as high as previously reported, at 12.7 per cent of GDP (Shambaugh 2012: 167). Eventually, the actual figure was revealed to be 15.4 per cent (Jolly 2010). Combined with Greece's overall debt load of 130 per cent of GDP in 2009, and 148 per cent of GDP in 2010 (Eurostat 2014a), this is said to have been the catalyst for the Eurozone crisis (Nelson et al 2012: 2). Yet, no such catalyst can exist without previous structural problems. As is recognized in the conventional 'crisis' narratives – yet not to the extent it is incorporated here – the Greek deficit would not have been dramatic if European banks would not have held Greek sovereign bonds (Lucarelli 2011: 208; Guerreri et al 2012: 181). Nor would Greece have been a catalyst without taking Greece to be representative for countries whose pre-2009 debts did not stem from the public sector, namely, Ireland and Spain (Blyth 2015: 64-68). Nevertheless, the ascription of the so-called crisis to a Greek catalyst, if not origin, is significant: without lumping Greece into the same category as Portugal, Spain, Ireland and Italy, the differentiation of all of these as a 'periphery' opposed to 'core' countries would not have been possible due to the irreconcilable differences between the countries (Guillén 2012: 60).

Greece's fiscal distress came in a highly volatile situation arising from the Great Recession after the 2007-2008 American liquidity freeze (Guillén 2012: 42-46; Piketty 2014: 557). Prior to 2008 and 2009, European interbank market liquidity had been embedded into global streams of wholesale funding from money-market funds, insurance companies, pension funds, and other financial actors (Giannone et al. 2011: F469-F470; Guillén 2012: 50). Consequently, and in accordance with mainstream theoretical predictions, procyclical credit movements exacerbated both liquidity availability and its sudden crunch after the collapse of Lehman Brothers (Wolf 2002: 45; ECB 2013: 17). In July 2007, German bank IKB was affected by global counterparty

contagion; in August 2007 French BNP Paribas, and so forth (Claessens et al. 2010: 274; Giannone et al. 2011: F470). In this situation, European banks increasingly relied on a flight to relative safety: purchasing Euro-denominated sovereign debt. With Greece's revised deficit announcement, however, this asset class lost a good deal of its appeal as “[a]lready debt-loaded that hadn't looked risky before [...] suddenly looked much riskier as their growth slowed and as a consequence their bond yields shot up” (Blyth 2015: 52).

When the ECB's Board of Directors met in the first days of May 2010 to discuss monetary policy, “financial investors were all but dropping the bonds of the euro zone peripheral countries [and] the situation in the financial markets was rapidly getting out of hand” (Bastasin 2012: 198). Indeed, “[t]he euro hit a 14-month low [on 6 May 2010] as investors shunned the debt of weaker euro zone countries and jumped into safe-havens. Treasury prices and the dollar surged on fears Greece's debt problems could hinder global growth” (Krudy 2010). What is more,

[t]his crisis...seemed to ricochet from country to country in seconds, as traders simultaneously abandoned everything from Portuguese bonds to American blue chips. On Wall Street on Thursday afternoon [6 May 2010], televised images of rioting in Athens to protest austerity measures only amplified the anxiety as the stock market briefly plunged nearly 1,000 points (Schwartz and Dash 2010).

To many, this seemed to constitute a crisis indeed, leading to “intense existential fears” of market participants “that the collapse of the Eurozone was imminent” (De Grauwe and Ji 2013).

On 5 May and 6 May 2010, simultaneous rapid increases in European peripheral sovereign bond risk premia relative to Germany occurred. Greece's sovereign interest rate spread to Germany nearly doubled between 3 May and 7 May, with similar developments for Portuguese and Irish sovereign bonds (Bloomberg 2014b; Bloomberg 2014c). On 6 May 2010, Moody's issued a report indicating that the Greek “sovereign weakness,” through banking connections, could spread not only to Portugal, Spain, Italy and Ireland, but also to the United Kingdom

(Moody's 2010a). This indicated a significant escalation of the 'crisis,' as the UK was not only not a member of the Eurozone, but had also counted as a 'safe haven' for sovereign bond purchases prior to 2010 (Ashbee 2011). The 'crisis of sovereign debt,' it seemed, spread like wildfire, engendering an adverse selection problem where weak performances of government bonds were feared to compromise the integrity of banks' balance sheets (Coeuré 2013). The *coup de grâce* was the exacerbation of global instabilities by the Flash Crash, turning a dire situation into an acute panic (Twin 2010, Schwartz and Dash 2010). After the financial shocks of 2007 and 2008 and in the context of the global Great Recession, the “fever for austerity and the mess in Europe were both sizable aftershocks” (Geithner 2014: 441).

Similar circumstances held again in September 2012. The Spanish bailout request of June 2012, the simultaneous request for financial assistance by Cyprus, as well as developments in Greece – especially the June 2012 parliamentary elections which resulted in a decisive victory for SYRIZA, the pro-European, yet anti-austerity Left Party of Greece – created a panic atmosphere on markets similar to that of May 2010 (Wearden 2014). In the sovereign debt interpretation, this panic was once again caused by “excessive state spending” leading Europeans to abandon “long-term gains for short-term gratification with the result we all know” (Schäuble 2011).

It fits into this narrative that both the 2010 and the 2012 'crisis' responses of the ECB addressed the problem of government bond prices and rising risk premia as a means rather than an end: the Securities Markets Programme of 2010 (SMP) and Outright Monetary Transactions of 2012 (OMT) (Bastasin 2012: 214-215). The purpose of both programs was market-making on the European secondary sovereign bond markets (ECB 2010b: art. 2). That is, both programs authorized the ECB to purchase the sovereign bonds of European governments on the European

secondary sovereign bond market, thereby stabilizing their prices and allowing them to perform their function (ECB 2010b: art. 1; ECB 2012). Crucially, this function was not fiscal, and the goal of SMP and OMT was not to drive down sovereign bond interest rates or risk premia as such (Dunkley 2012). Rather, the fiscal problems giving rise to increased risk premia were to be addressed by the governments in question themselves (ECB 2012). SMP and OMT were only understood to be “measures to address the severe tensions in certain market segments which are hampering the monetary policy transmission mechanism and thereby the effective conduct of monetary policy” (2010a). SMP and OMT refused to directly purchase sovereign bonds from governments. Thereby intervening into the secondary rather than the primary sovereign bond market, the programmes sustained market pressure on governments to maintain their pace of adjusting to rescue package clauses (ECB 2012).

The origin of the 'crisis' is thus said to be an excessive level of sovereign debt, an origin external to the corresponding interbank market turmoil. Its core element is sovereign recklessness. In both of the SMP and OMT announcements, European governments were told that the ECB had “taken note of the statement of the euro area governments that they 'will take all measures needed to meet [their] fiscal targets this year and the years ahead'” (ECB 2010a; cf. ECB 2012). Defending the programs, ECB Executive Board Member Coeuré likewise put the onus on governmental fiscal responsibility, stating that

sovereign bond markets act as a disciplining device; if governments adopt imprudent economic policies they face higher interest rates in the market; as a consequence, they are forced to take corrective action. But the incentive for such corrective action is undermined if the central bank shields governments from market pressure (Coeuré 2013).

If governments were the culprit, who – or what – was to be rescued? First and foremost, the sanctity of the market mechanism (Wyplosz 2012: 12). “Let me be clear,” Executive Board

Member Coeuré said looking back upon the OMT program, “OMTs are not going to interfere with the pricing of sovereign bonds on the basis of economic fundamentals and the respective credit and liquidity risks of the sovereign” (Coeuré 2013). Only the utter and urgent necessity arising from a 'crisis' could justify market interventions as broad as SMP and OMT (Ewing 2010). Internal conflicts between German ECB board member Axel Weber, “the most orthodox defender of a purist monetary policy, a man rigorously indifferent to the claims of politics,” and his colleagues prior to the 2010 SMP intervention exemplify this: Weber agreed to the measures only when news of the Flash Crash reached his desk (Bastasin 2012: 201). Only then did the urgent necessity contained in the 'crisis' narrative outweighed any other considerations (Roitman 2014: 29).

Preserving the integrity of markets, however, was nowhere near as important as protecting the integrity of the blameless victims of governmental recklessness, the European banking system. SMP and OMT provided an insurance against the risk of holding worthless government bonds on European banks' portfolios (Coeuré 2013). If sovereign bonds function properly as debt securities – i.e., if their price is higher than zero – they stabilize banks' portfolios as part of their tier-1 capital holdings and hence as collateral for leveraged operations (Epstein and Hubbard 2013: 330). The reason for this is regulatory. The European Capital Requirements Directive in effect during the Eurozone crisis (CRD III), gives a zero risk weight to any sovereign bond on banks' portfolios so long as the counterparty country is an EU member state – which is to say that all Eurozone member states' bonds were eligible for tier-1 capital status throughout the so-called crisis (Jones 2013). The reasons for this stipulation arose from the Great Recession and a subsequent shift in global capital requirements due to deleveraging initiatives (Barroso and Van Rompuy 2011; BIS 2013). They include sovereign bonds' high liquidity, wide range of

maturities, low credit risk, and well-developed market infrastructure (Lo Conte 2009: 341-342).

Consequently, European banks held a sizable share of sovereign bonds prior to 2009 (and in some cases after this date) and thus came to be susceptible to a deterioration in sovereign bond prices (Belke 2012: 698). 'Contagion channels' resulted from cross-border holdings of peripheral sovereign bonds by core European banks (Shambaugh 2012: 187). French and German banks, for example, held in excess of €300 million and €5,500 million in claims with Greek counterparties as late as March 2014, respectively (BIS 2014). The 'vulnerability' was significant: 56 per cent of the total portfolios of French banks in late 2009 were peripheral debt securities, a 37 per cent increase from early 2005 (Guerreri et al 2012: 181). At the end of 2010, slightly less than half of all sovereign debt of Greece, Portugal, Spain and Italy was held by non-domestic banks – 41.7 per cent by European and 8 per cent by non-European banks. For both Portugal and Greece, the percentage of sovereign bonds held by European core banks was above half: 51.6 per cent for Greece, 55.7 per cent for Portugal (Guerreri et al. 2012: 194). French banks were thus particularly susceptible to shocks from the European periphery and, in 2012, as these positions had already deteriorated, from their own government (Kraemer and Gill 2012).

Subsequently, banks claimed information asymmetry about counterparty portfolios leading to solvency doubts and hence the same drying-up of funds on the interbank market as had been experienced in the US after 2007 (Claessens et al. 2011). According to the ECB, a "steady and broadbased increase in non-performing loans" has been observed "since 2008, [...] with increases of over 50 per cent in some cases during 2012," the year OMT were initiated (ECB 2013: 22). Under such circumstances, banks will choose the safest possible assets for reinvestment, in order to stabilize their portfolios. Ironically, these asset are the ones designated safest by regulators, namely, sovereign bonds. Price destabilization on sovereign bond markets

will result in more investments in these very same markets, further exacerbating what came to be known as 'doom loops' connecting interbank and government bond market participants (Baldwin and Giavazzi 2015). These 'doom loops' are self-fulfilling interest rate prophecies. The price of a sovereign bond on the secondary market reflects expectations about the ability of the issuing government to service its debts (Demopoulos and Yannacopoulos 2012). In extreme cases, a default of the issuing state can make a sovereign bond worthless (Coeuré 2013). Moreover, it could lead to a 'Grexit' leading to a cascade of peripheral European exits from the Eurozone (Farrell 2012). Less extremely, expectations of non-performance not only drive down the price for a sovereign bond on the secondary market, but also drive up interest rates on the primary market (Botta 2013: 427-428). Yet, countries refinance the repayment of old sovereign debt obligations by the issuance of new sovereign debt (Schäfer and Streeck 2013: 17-19). Raising interest rates thus drives up borrowing costs to levels exacerbating precisely this risk, in turn driving interest rates up even further, and so forth.

Here, the ECB's market-making stabilized the secondary sovereign bond market and thus guarantee the operations of the European interbank market (Ewing 2010; Draghi 2012). Thus, the ECB is credited with preventing a further escalation of the lending freeze already prevalent in Europe after the global post-2008 liquidity shocks (Giannone et al. 2011: F467). After all, the European real economy refinances its expenses through the European banking system, rather than financial markets, to a much larger extent than its American counterpart (Shambaugh 2012: 162). Indeed, the rate of growth of lending to non-financial businesses had declined by roughly one third between 2008 and 2009 (Paries et al. 2014: 23). This decline continued throughout the so-called crisis.

The result was an interbank lending freeze: according to ECB data, total European interbank

lending had decreased from 30 per cent of all bank assets in 2008 to 20 per cent in 2013 (ECB 2013: 18; Giannone et al 2012: F467-F468). Outstanding bank loans to Eurozone non-bank businesses in manufacturing decreased from €673 billion in late 2008 (Lehman collapse) to €605 billion in late 2013 (Cyprus joins ESM), with a significant reduction in 2010 and 2012, respectively (ECB 2014a). In construction, the decline is even more pronounced: from €467 billion in 2008 to €386 billion in 2013 (ECB 2014b). Consumer credit declined as well: from €638 billion in outstanding consumer loans in September 2008 to €528 billion in September 2013 (ECB 2014c). Industrial lending by the European banking sector likewise decreased considerably after 2008 (Lucarelli 2011: 219; Guerreri et al. 2012: 183).

A good deal of questions arise from this conventional narrative. Are governments recklessly creating financial instabilities by borrowing beyond their means, as the conventional narrative often claims? Even if so, are banks merely victims or is there more to their behavior? Conversely: are banks deliberately fooling hapless elected officials into overborrowing? I maintain that neither of these interpretations is completely correct, though all of them are caught up in an escalating structure whose origin, contrary to the conventional account, is not governmental overborrowing. After all, peripheral European interest rate hikes are self-fulfilling prophecies, and are indeed recognized as such in the relevant literature, at least for the case of Italy (Belke 2012: 685; Bastasin 2012: 288). Likewise, the 'crisis,' while presenting significant challenges, also presented equally significant arbitrage opportunities (Acharya and Steffen 2013a). Moreover, it can hardly be denied that the origin of the European credit freeze is an effect of global wholesale funding withdrawal to European banks after 2007-2008 (Ehrmann et al. 2011). Not least, the ECB itself did acknowledge this, opening its balance sheets to European banks and injecting liquidity particularly through Long-Term Refinancing Operations (LTROS)

between the fall of 2008 and winter of 2010 (ECB 2011: 39). Rather than lending to European industrial companies, however, banks invested largely in sovereign bonds and their self-fulfilling arbitrage opportunities (Guillén 2012: 58). This, too, was recognized by the ECB which, alas, had to leave these decisions to the sacrosanct markets (Immel 2010).

Nevertheless, both interpretations attribute too much efficacy to intentions rather than structures. Describing the 'crisis' conventionally as one of governmental responsibility for increases in sovereign interest rates neglects the role of interbank markets, regulatory elements, and banking structures. Likewise, however, diagnoses like Blyth's – though I concur that the primary site of the so-called Eurozone crisis is indeed the European banking circuitry – overestimate the extent to which banks and European monetary institutions control (or understand) what they do. Arbitrage is always dependent on given, and specifically structured opportunities. The so-called Eurozone crisis is the story of one such opportunity. It begins with the assumptions and mechanisms by which sovereign bonds come to be classified as tier-1 capital.

### 2.3 Representation

Although belied by the self-fulfilling nature of interest rate hikes engendered by interest rate hike expectations, the fundamental assumption on primary sovereign bond markets is that market participants set interest rates according to their perception of the country's real economic fundamentals which, in turn, represent the country's repayment abilities (Eaton 1993: 140-143). “Fundamentals proxied by fiscal conditions (debt/deficit-GDP ratio) should be the prime elements for an economic assessment of the country's creditworthiness” (Lo Conte 2009: 356). The economic theory of sovereign bonds is thus a classical theory of representation where sovereign bond interest rates are the result of a market's camera registering their fundamental's

value and viability, not a market engine engendering them (MacKenzie 2008). Yet, this camera assumption is itself a performative engine: economics and economic theory “[do] not describe an existing external 'economy,' but [bring] that economy into being; economics performs the economy, creating the phenomena it describes” (MacKenzie and Millo 2003: 108).

Even on a level on which one would accept the representational theory, it is therefore noteworthy that the representation of the country's fundamentals by interest rates is by no means unequivocally defined (Lo Conte 2009: 357). Ricardian, 'conventional,' Humean, and other operationalizations conflict on how to project, and even how to measure, deficit/debt relations (Mundell 1996: 7-34). Such operationalizations have an influence on market perceptions of a country's repayment ability and thus on lending patterns and the country's liquidity. They may even be entirely unrelated to the fundamentals of a country's real economy, as is often alleged in the case of the 1997 Asian crisis (Strange 1998). Indeed, “[t]he existing literature is unanimous in finding that spreads of euro area government bond markets reflect liquidity and credit risks, and are mainly driven by a common factor,” an “international risk aversion” (Manganelli and Wolswijk 2009: 194).

Market lending influences government policies as well as country fundamentals in three ways. First, country policies are relevant to credit markets only with regard to their fiscal impacts and thus with regard to continued debt servicing (Frieden 2002: 855). This operationalization, in turn, has effects upon government policy since markets allow debt roll-overs at low interest rates only when the debtor government's policies are deemed 'sustainable' (Manganelli and Wolswijk 2009: 230). After the inception of the European Monetary Union in particular, “credit markets [...] exert[ed] disciplinary pressure on governments with a shift to debt-service ratio as the most relevant measure of creditworthiness” (Lo Conte 2009: 363). Second, this entails a temporal

operationalization: the creditworthiness of policies is not gauged in the present, but is projected to measure whether current policies allow future repayment (Eaton 1993: 166-169). This is closely related to the operationalization of consumers in theories of sovereign debt, whose intertemporal behavior is described such “that the expectation of future cuts in government spending will increase current consumption, because the government will not have to collect higher taxes in the future” (Demopoulos and Yannacopoulos 2013: 3). It follows from this assumption that spending cuts stimulate growth.

Once again, this is not merely an operationalization, as the literature has it, but has a disciplining effect upon government policies. It converts actual or observed economic fundamentals to projected future performances for the purpose of inferring sovereign debt performances (Eichengreen 2003: 87). A country's debt roll-over ability therefore depends not only on market assessments of present policies, but also on projected future policies. In Greece's 2010 austerity programme, for example, the European Commission instructed the country to “maximize credibility and enforceability,” and to restore Greece's access to markets by making its “[c]onsolidation … strongly frontloaded” (European Commission 2010b: 15). Elected (and unelected) officials know this: third and finally, the country government's stakeholders are rearranged from social and citizen stakeholders to credit markets and rentiers (Stiglitz 2010: 36).

Eurozone member countries in particular are thus integrated into the workings of capital markets, and hence the European banking circuitry, as foundations for their sovereign bonds performing as debt securities (Lo Conte 2009: 341-342). Maintaining what credit markets deem to be good fundamentals takes precedence over other policy concerns. European sovereign debt securities are assets eligible to be held as tier-1 positions under Basel II regulations as incorporated in the European context by the European Capital Requirements Directives CRD III

(up to 2013) and IV (BIS 2013; BIS 2014). Thus, there is a stability-based demand for them; especially if they are issued by safe havens: the United States, Germany (Schuknecht et al. 2010). I call this function of sovereign bonds their stock function in the actuarial sense: wealth owned at a specific time, accounted for as a static entity, as opposed to a flow of wealth accumulating over time (Fisher 1896).

However, the proper function of sovereign bonds as a stock stabilizing bank portfolios depends on an uninterrupted flow of debt repayments from the sovereign issuing them. Statically accounting for a sovereign bond as a specific amount of wealth collateralizing leveraged positions requires the assumption of guaranteed full repayment of principal and interest (Mundell 1996: 77, 110). Thus, the equilibrium interest rate emerging out of sovereign bond auctions will depend on “the extent that government default is anticipated” (Guerreri et al. 2012: 188). A sovereign bond can fulfill its stabilizing function only when this extent is zero, i.e., when full repayment is guaranteed; hence the emphasis on future repayments and future policies (Panizza et al. 2009: 680). I call this temporal shift from actual to projected future payment flows the flow-stock conversion. The assumption underlying this shift is that debt repayment is guaranteed since what is represented is a sovereign entity: the sovereignty of the debtor allows investors to expect it to exercise its coercive powers to tax or to invoke its credit ratings to borrow internally (Eaton 1993: 140; Panizza 2010: 91-107).

On the other hand, however, the exercise of sovereignty can threaten the flow-stock conversion, and hence the stability of the sovereign bond's performance and its ability to serve as a tier-1 asset. Repayment, as the literature notes, depends on the willingness of the country's politicians to prioritize debt servicing – or even to repay debt at all (Eaton 1993: 166).<sup>3</sup> Such

---

<sup>3</sup> Indeed, one of the aspects of sovereign borrowing most often bemoaned in the literature is that, for lack of enforcement mechanisms, a sovereign default is always just one politician's moral hazard away (Eichengreen 2003: 93; Panizza et al. 2009: 659).

statements in the literature notwithstanding, the willingness of elected officials to repay debt and hence to guarantee the flow-stock conversion is hardly ever in question, particularly not in the Eurozone. Indeed, the flow-stock conversion is part of a larger structure ensuring that the portfolio function of sovereign debt has priority over its fiscal function. Repayment willingness and political moral hazard, so frequently bemoaned in the literature, have nothing to do with this structure (Eaton 1993: 151-154; Eichengreen 2003: 78-79; Lane 2012: 64). Demands upon the country to ensure the flow-stock conversion are enforced by the ever-present threat of 'capital flight' (Eaton 1993: 149-151; Panizza et al. 2009: 670). Indeed, a country's access to international funds for debt roll-over, particularly in the short term, is identical to its susceptibility to capital flight (Wolf 2002: 43-45). In European sovereign bond markets, the common denomination of debt securities in Euros reinforces this effect on Southern European countries whose risk premia fluctuations after 2009 were the result of liquidity shortages (Lane 2006: 53; Belke 2012: 685).

A country's refusal to honor its debt obligations denominated in Euros thus jeopardizes its future access to capital markets, forcing it to devalue its currency (Eaton 1993: 159; Panizza et al. 2009: 661). This is called "redenomination risk," where "[m]arkets perceive a high probability that [country's debt] obligations might not be repaid in full or equivalently be repaid in a different, lower-valued currency" (Coeuré 2013). Such redenomination, though it never actually occurred,<sup>4</sup> is likely to have disastrous domestic consequences similar to those of a sovereign default (Panizza et al. 2009: 667). These consequences are transmitted to the country's internal financial system which depends on the backing of its own government's bond issuances (Eichengreen 2003: 79; Panizza et al. 2009: 663).

Moreover, while it is technically true that the servicing of a country's sovereign bond

---

4 As of early 2016.

obligations cannot directly be enforced by creditors, statements by the European banking system to the effect of being susceptible to governmental moral hazard or resulting negative investment climates are disingenuous at best (Claessens et al. 2010: 291; Olgı 2012: 196-197). Creditors can always demand risk premia: increased initial debt to offset projected future losses (Lo Conte 2009: 346). Markets can also monitor the debtor country's policies and their success – measured in terms of how they increase or decrease the likelihood of successful debt servicing (Eaton 1993: 164). Financial actors also have opportunities to hedge against risk. In the case of debt repayments, futures are particularly relevant (Lo Conte 2009: 347).

Nevertheless, it is equally problematic to speak of a banking sector 'bait-and-switch' (Blyth 2015: 73). The banking circuitry does rely on the portfolio stabilization of sovereign bonds for leveraged operations (Shambaugh 2012: 188). Thus, and despite its problematic status, the assumption that sovereign bond interest rates represent the performances of their issuing government and fundamentals is necessary to the function of sovereign debt as an asset class (Eichengreen 2003: 76). It is only because this asset class is issued by a sovereign entity that markets can assume this sovereignty to be exercised to guarantee debt repayment, allowing the projection of this payment flow as a stock (Demopoulos and Yannacopoulos 2012: 13). By the same token, it is only with this assumption that one could have argued that "the crisis is fiscal in nature, resulting from financial profligacy of governments of deficit countries in the periphery" (Blankenburg et al. 2013: 464).

Yet, this is a reversal of the reality of the country's sovereignty as structured by the sovereign bond technicalities of the flow-stock conversion. This reversal constitutes the origin of the representational notion of sovereign bonds, which is necessary for its practical subversion by the debt roll-over demands of the European banking circuitry. It is likewise at the origin of the

power reversal Blyth describes as 'bait-and-switch': the conversion of Eurozone member states' sovereignty into a dependent variable of their debt servicing. I call this reversal a transposition from countries to fundamentals.

#### 2.4 The country-fundamental transposition

By this transposition, the European banking circuitry constitutes countries' economies for the purposes of the European primary and particularly secondary bond market, where the prices of sovereign bonds are established which allow them to play their role on banking portfolios. The structure of the paradigmatic and syntagmatic shifts constituting the transposition from country policies to sovereign bond interest rates is not only not representational, but rather consists of a complete reversal of the representational relation. The transposition from countries to fundamentals, which this section discusses, is thus more than just the neoliberal assurance of primacy of investors' demands over countries' citizen stakeholders already identified in the flow-stock conversion (Varoufakis 2015b: 139-142). Rather, the syntagmatically primary element of the syntagma 'country,' a territorial and actuarial totality of economic production and consumption, is paradigmatically converted such that the country is now constituted as an exclusively debt-servicing entity: as *a fundamental*. This primary element is sovereignty, which comes to be converted from extra-economic sovereignty to intra-economic sovereignty.

Country fundamentals, classically understood with the notion of markets as cameras rather than engines, are measurements of actual and projected performances of the country's economy: mathematical formulae comprised of coefficients indicating GDP per capita, current account balance, debt relative to GDP, the composition of debt, and future forecasts based on inflation coefficients (Panizza et al. 2009: 685 Fn. 50). Here, however, these measurements form the transmission belt of a paradigmatic shift allowing the restructuring of the country's economy into

an exclusively debt-servicing entity upholding the flow-stock conversion. The fundamental in this sense ceases to be a mere sum of mathematical formulae. It is rather a projection: the country, as operationalized to repay its debts. Thus, the mathematical tools ostensibly assessing country fundamentals for interest rate adjustments are in reality effects transposing the country as such. This relies on a paradigmatic conversion of sovereignty from its syntagmatic primacy, Max Weber's territorially delineated monopoly of legitimate violence, to a subordinate version, a payment guarantee.

The sovereignty of a country, when transposed to a fundamental, becomes an intra-economic element. This alters the meaning of the remaining elements of the country syntagma: the sovereign country becomes the fundamental of sovereign bonds. The country's governmental structure, its markets and credit systems, its parties and courts, citizens and social systems are transposed as its sovereignty ceases to be that of a sovereign country in an extra-economic sense of a guaranteed ability to default – and hence an independence from investor demands and operationalizations (Botta 2013: 463-465). Its fiscal decisions are no longer those of a social or political entity, but those of a deposit of funds responsible for returns on investments. Its social systems are no longer rights of citizens, but costs to investors (Blyth 2015: 73-75). Its sovereignty is no longer the sovereignty to default, but the sovereignty to internally coerce the means for guaranteed full repayment. In turn, this transposition of extra-economic sovereignty to intra-economic sovereignty is the origin of the flow-stock conversion allowing sovereign bonds to be regarded as a stock for accounting purposes, and hence as a tier-1 capital asset (Cœuré 2013).

This does not mean that the country's extra-economic sovereignty disappears. On the contrary: for every fundamental, a country remains which is sovereign in the extra-economic

sense. Were it otherwise, the flow-stock conversion's guarantee could not be justified, as only the country's sovereignty guarantees the fundamental's harnessing of coercive taxation (Mundell 1996: 77, 110). Yet, by the same token, extra-economic sovereignty, once converted, can be exercised only as the condition of possibility of intra-economic sovereignty. There is "Greece" (the fundamental), i.e., the country as structured by its debt repayment obligations and, in turn, their operationalizations: a debt/GDP ratio, a growth projection, a set of technicalities (European Commission 2011b: 17-18). However, there is also Greece (the country), the extra-economic sovereign capable of calling a referendum in 2011, followed by

three days of political tumult that whipsawed world markets, shook the Continent to its foundations and drove angry European leaders to issue an ultimatum on Wednesday demanding that Greece decide once and for all if it wanted to remain a part of the European Union and its currency bloc, the euro zone (Donadio and Kitsantonis 2011).

Eventually, of course, the referendum was retracted due to German and French pressure, reinforcing the demands of the flow-stock conversion (*ibid*).

Two immediate paradigmatic conversions for the remaining elements of the country *syntagma* follow from the conversion of its element 'sovereignty.' Both of these are a result of the embedded rather than primary or absolute character of the sovereignty element, paradigmatically converting the remaining elements of the country *syntagma* for debt service prioritization. The first result, on the level of the country's real economy, is its operationalization by benchmarking. The second result, on the level of banking sector portfolios, is a phenomenon the conventional narratives call 'contagion.'

The syntagmatic element 'national economy' is represented in the conventional perspective by the classical notion of country fundamentals.<sup>5</sup> Here, fundamentals measure countries'

<sup>5</sup> That Eurozone member states have distinct economies, rather than constituting interconnected subcircuits of a European economy, is part of the country *syntagma*, *not* a statement about the actual real economy of Europe. That the assumption of national economies is in turn a reification of European subcircuits will be shown as part of my discussion of the austere transposition in chapter three of this study.

economic performances with regards to debt repayment ability: their growth vis-à-vis their debt/GDP ratio; their socio-economic trajectories such as technological and educational progress vis-à-vis inflation. This assumes, as the representational notion of sovereign bonds does, that there is an unequivocal relation between a country and its sovereign bonds, which is expressed by interest rates. With the country transposed to a fundamental, however, this is no longer the case. Rather, the assessment of the country's economic fundamentals (in the classical sense of this term) is subject to benchmarking against an assumed zero-risk economy – in the European case, against Germany (Holman 2004: 715; Pusch 2012: 6).

Moreover, since the fundamental converts extra- to intra-economic sovereignty, this real economic benchmarking becomes an integral part of the country's intra-economic sovereignty. The country's economic policies are constrained not only by the ever-present risk of capital flight, but are also more directly streamlined by its benchmarked status. The fundamental's real economy, as opposed to that of the country, is thus now constituted as a set of differentials to the benchmark, rather than a self-contained economy (Manganelli and Wolswijk 2009: 215-216). Rather than judging a country's economy in itself – through indicators such as unemployment, standard of living, or happiness – its real economy is exclusively gauged based on its risk of non-repayment as compared to that of the benchmark (where the risk is always zero).

Thus, the economic policies of all European countries are now constituted as aberrations from Germany's economic policies. Crucially, then, Germany does not have its status because of its 'hegemony' or otherwise sinister machinations (Schild 2013). Rather, its role stems from a structural necessity: there has to be a country with a zero risk weight of non-repayment (Manganelli and Wolswijk 2009: 194; Lo Conte 2009: 352). When the syntagmatic relations between the elements of European fundamentals are thus restructured by the paradigmatic

conversion of their country's sovereignty from an extra- to an intra-economic element, their real economies are converted from entities to be measured in themselves to differentially constituted competing debt-servicing circuits (Heise 2012). These are held together and played out against one another in the European banking circuitry's portfolio perspective, where

financial market actors, facing different assets of varying risk, choose assets based on risk rather than returns, thus changing the allocation structure of factor returns to the point where productivity levels and populations become relative (across portfolios) rather than absolute (in a country itself) investment values (McKeown 1999: 14 Fn. 3).

Yet, there is not only an investment strategy at work here, which opposes Germany's economic policies to those of other European countries. Benchmarking converts country economies as such to differential fundamentals. This is evidenced by effects for which the representational perspective, i.e., the assumption of not (yet) transposed country economies, as well as notions of extra-economic sovereignty cannot account. One such effect is that of 'contagion' on European sovereign bond markets. 'Contagion' is at the heart of conventional explanations of the so-called Eurozone crisis, and particularly capital flights-to-safety across sovereign bonds denominated in the same currency, from riskier Southern European sovereign bonds to less risky German and U.S. bonds (Schuknecht et al. 2010). Such withdrawals of liquidity from secondary and primary sovereign bond markets result in lowering prices in the former and rising interest rates in the latter market. Since these, in turn, lead to drops in demand on the secondary market as well as increasing roll-over difficulty in the primary market, these movements are self-reinforcing (Shambaugh 2012: 216). Moreover, they are 'contagious,' since fundamentals are differentially constituted. Doubts about Greek debt viability led to doubts about Portuguese sovereign debt in 2010, which, along with Irish debt roll-over trouble developing in 2011, transferred to Spain in early 2012. Finally, even Italy came to be involved in the dynamics of liquidity withdrawal (Berend 2013: 52-59).

Such contagion can only originate outside of the countries affected by it, in the form of “market sentiment” (Lo Conte 2009: 344; Pusch 2012: 2). Were government bond interest rates representations only of the country by which they are issued, risk increases in one country could not spread towards risk increases in another. Capital mobility is independent of national capital stocks and growth trajectories (Eaton 1993: 147). Nevertheless, this methodologically nationalist attribution is exactly what conventional perspectives invoke to explain sovereign bond interest rate co-movements. The conventional perspective attributes this to a country's propensity to borrow excessively for domestic reasons (Eichengreen 2003: 76). This position is supported by the public policy approach to debt crises (Van Rijckeghem and Weder 2009; Panizza et al. 2009: 662-663). Likewise, the so-called Eurozone crisis is commonly described as a crisis of sovereign debt resulting from market distrust occasioned by governmental profligacy (Schäuble 2011).

However, contagion on European sovereign bond markets is not contagion from country to country, but from fundamental to fundamental. This, rather than a sudden discovery of governmental cunning by innocent markets, is what occurred in the Eurozone between 2009 and 2012: a pattern of signals contextualizing country fundamentals in cross-country comparisons, resulting in risk premia co-movements (Belke 2012: 678). A significant result of this is the common designator given to European peripheral countries despite all their internal differences (GIIPS: Greece, Italy, Ireland, Portugal, Spain; not to mention more derogatory versions 'PIIGS' and 'GIPSI'). The GIIPS designation is applied across different types of economies (Ireland's, Portugal's, and Cyprus's economies are structurally dissimilar), different types of distress (Spain's pre-2009 credit overextension was mainly private, Greece's mainly public), and different sizes of economies (Italy and Greece being on the extreme ends of this spectrum) (Quiggin 2012: 229). Contagion between all these economies requires reconstituting them such

that their real and incommensurable differences can be resolved into a common scale, as aberrations from Germany (Lazzarato 2012: 168-172). This constitutes a transposition of countries to fundamentals: cross-country differentials, risk coefficients, debt servicing projections (Lo Conte 2009: 363).

The conventional narrative therefore has it backwards. The differentiation in sovereign bond interest rates between 'core' and 'periphery' engendered country distress, not vice versa. The effects of the country-fundamental transposition are the exact opposite of the representational narrative: an imposition of benchmarking through lending withdrawal or disbursement. For example, the country-fundamental transposition resulted in a liquidity shortage in 2012 for Italy (Shambaugh 2012: 169). Initially, the country's debt-to-GDP ratio had not been deemed dangerously unsustainable by markets (European Commission 2012b: 22-24). Losing its ability to roll over old debts due to liquidity withdrawal in 2012, however, forced Italy into a solvency problem (Belke 2012: 685). This liquidity shortage is not simply reducible to capital flight based on previously given country-specific macroeconomic developments. Rather, it is an integral part of the transposition from country to fundamental, a liquidity-solvency conversion enforcing the demands of international investors – i.e., those of the fundamental's benchmarking – upon the country whose sovereignty is paradigmatically converted from extra- to intra-economic sovereignty (Schäfer and Streeck 2013).

Country governments are thus transposed to actors whose primary and in many ways exclusive duty is to prevent default, to service debt now and to project confidence that they will continue doing so over the remainder of the bond's maturity range (Demopoulos and Yannacopoulos 2012). The transposition of countries to fundamentals constitutes a power differential it simultaneously dissimulates (Guillén 2012: 61). The creditor in question will have

an anti-inflationary political bias, since it expects full real rather than just nominal repayment (Ansell 2012: 327-360; Shambaugh 2012: 168). This anti-inflationary bias manifests in fairly drastic ways when “slashing wages, keeping unemployment high, cutting public spending” are demanded for the sake of a benchmarked economy, rather than an economy serving its constituents' income, living standards, or happiness (Beeton 2013: 1500).

It is noteworthy, however, that cross-country benchmarking regarding the preferred operationalization of the fundamental's duty to service debt varies over time and need not be exclusively austere. For example, in times of pre-2008 “yield panic” (Hau and Thum 2009: 716), lending to GIPIS countries was considered to be well within reasonable risk parameters (Blyth 2015: 79-81). After 2009, by contrast, 'contagion' radiated outward from Greece to other GIIPS countries and beyond, without much consideration of the specifics of the country in question (Cohen 2012: 694-695). In both cases, countries are operationalized by market participants as being responsible for maintaining current and future debt servicing at market interest rates. In the country-fundamental duality, fiscal, and hence social, sovereignty is converted: the country is responsible for maintaining its differentially benchmarked status as a fundamental. The case of Italy indicated what the liquidity-solvency conversion entails: market liquidity is operationalized as government solvency, because countries are imperfect fundamentals for the portfolio perspective – not vice versa. From the fundamental, the country is merely an aberration.

## 2.5 Intra-market hedges, extra-market hedges

In this section, I discuss the contradictory demands brought upon Eurozone member states by the country-fundamental transpositions and leading to the so-called crisis. On the one hand, fundamentals were called on to provide bailout funds for the European banking system after its pre-2007 wholesale funding ran out (Blyth 2015: 71-73). In many cases, the volume of the bank

balance sheets to be rescued was larger than the annual GDP of their host country – for example, this was the case for Belgium's Dexia group (Shambaugh 2012: 169). Moreover, countries had to acquire the necessary funds for these payments by issuing sovereign bonds at prevailing market interest rates, i.e., subjected to mark-ups arising ostensibly from the very debt countries incurred to save banks (Botta 2013: 427-428). Far from attributing this contradiction to market panic or shrewd banking strategy, however, this section interprets it rather as the structural consequence of the simultaneous implementation of the liquidity-solvency and the flow-stock conversion.

Not all market judgments are negative or irrational, as some would have it (Strange 1998; LiPuma and Lee 2004; Harvey 2005). Moreover, even if they were, the ramifications need not be exclusively negative for countries: liquidity booms are as frequent as their opposite (Lux 1995; Rodrik 2011). In the European context, neither did hapless politicians fall into carefully constructed liquidity traps, nor were innocent bankers startled by greedy governments. What happened is a structured ramification of the country-fundamental transposition which determines the pressures to which a country is subject when it is transposed to a fundamental. Here, the portfolio functions of sovereign bonds turn fundamentals into dependent variables of interbank market demands. I call intra-market hedge the fiscal demands on the fundamental's country arising from its sovereign debt's portfolio function, extra-market hedge the fiscal demands arising from the fundamental's country's bailout responsibilities. A large part of the so-called Eurozone crisis results from the contradiction between these two.

Eurozone member states permanently act as intra-market hedges when European banks hold sovereign bonds to stabilize their portfolios. The European Capital Requirements Directive in effect during the Eurozone crisis (CRD III, now replaced with CRD IV) designates sovereign bonds eligible to be tier-1 capital assets without restrictions (EU Regulation 575/2013, Art. 214,

Sect. 2[a]). Ironically, as discussed above, post-2007 banking sector deleveraging likewise significantly increased the effects of sovereign bond price fluctuations on banking portfolios. To an extent, the Great Recession itself already consisted of deleveraging dynamics as the global FIRE sector (finance, insurance, and real estate) reduced its positions rapidly (IMF 2009; Bernanke 2012). However, political discourse focused on curbing leveraging excesses to prevent a recurrence of such violent deleveraging. This demand was articulated both globally, for example, at the 2011 G20 summits in Cannes (Barroso and Van Rompuy 2011), and in Europe, where banking stress tests in 2011 had highlighted a need for higher tier-1 capital ratios (EBA 2011).

'Deleveraging' denotes a reduction of existing leveraged assets, an implementation of a core capital ratio of 9 per cent tier-1 assets (EBA 2012). Accordingly, throughout the Eurozone, the ratio of bank loans to bank deposits declined from 138 per cent to 126 per cent between 2008 and 2013 – a “steady decline” which “points to a corresponding substantial reduction in the banking sector leverage” (ECB 2013: 19). Across the European banking system, therefore, tier-1 capital ratios have increased from eight per cent in 2008 to twelve per cent in 2012 (Lawton 2013). As a result, many European banks, Greek banks in particular, held large amounts of sovereign bonds after 2010; at times to the point where their portfolios consisted entirely of this asset class (Shambaugh 2012: 188). Indeed, of the total assets held by the European banking circuitry at the end of 2009, sixteen per cent were government debt securities (Lucarelli 2011: 208).

This resulted in vulnerabilities to both sides. If European governments are unable (or unwilling) to repay their outstanding debts, the flow-stock conversion fails, and the value of sovereign bonds on the secondary market is reduced (in the worst case, to zero). In turn, the European banking circuitry would be forced to reduce their portfolios by the amount of positions

secured by sovereign debt – i.e., the volume of their sovereign debt holdings multiplied by their leverage ratio (Minsky 2008: 261-265). In some cases, this may endanger the structural integrity of banks as a whole (Shambaugh 2012: 159). This is by no means an unlikely scenario. Not only are European banks 'exposed' to their own government's bonds, but also, and to a significant extent, across European borders, since all Euro-denominated sovereign bonds are tier-1 capital eligible (Lane 2012). At the height of the Greek phase of the crisis, in June 2010, European banks were exposed to more than 200 billion Euros in Greek debt securities (Lucarelli 2011: 208). Immediately before France's credit downgrade, for example, the French banking system held large amounts of periphery country debt securities (Isidore 2012).

From this limited perspective, it appears that governmental behavior is indeed a source of danger for bank portfolios: the country's extra-economic sovereignty continues to haunt the fundamental's intra-economic sovereignty. However, the workings of sovereign bonds as intra-market hedges create dependencies in both directions, the so-called 'doom loop' between governments and banks, a situation where “the banks – who view their national government as their lender-of-last resort – are also major lenders to the governments” (Baldwin and Giavazzi 2015). Therefore, rapid increases in peripheral sovereign bond interest rates after 2009 do not, as the conventional perspective has it, indicate that banks suddenly became aware of governmental profligacy (Cohen 2012: 694-695).

Rather, they indicate a twofold structural shift within the intra-market hedging function of sovereign bonds. On the one hand, while sovereign bond purchases had served as a hedging operation by themselves between 2007 and 2009, hedging now requires differentiating within the asset class of Euro-denominated sovereign bonds, between 'core' safe haven assets and 'peripheral' riskier ones (Schuknecht et al. 2010). On the other hand, this differentiation also

allowed profitable carry trades (Acharya and Steffen 2013b). In turn, it led to a self-reinforcing market lending pattern quite well-known and normal on financial markets, where lending withdrawals frequently lead to self-reinforcing 'herd behavior' (Lux 1995; Strange 1998). Here, liquidity withdrawn from peripheral governments limits their ability to support their debt roll-over, while resulting in a self-fulfilling liquidity premium for the 'core' asset class, decreasing its interest rates (Dany et al. 2015).

Whether or not these movements are the result of deliberate 'attacks' by the European banking circuitry upon governments is quite irrelevant. The structure of the country-fundamental transposition itself creates the arbitrage opportunity of differentiated Euro-denominated sovereign bonds. Lending withdrawals are transmitted through the liquidity-solvency conversion, leading to an inability to roll over debt threatening a fundamental's borrowing and hence its future ability to uphold the flow-stock conversion, which drives up interest rates further, and so forth (Botta 2013: 427-428). Hedging against this, in turn, requires differentiation: selling off this fundamental's bonds in the secondary market and demanding higher interest rates of it in the primary market. The latter, in turn, results in a speculative demand for carry trade opportunities (Acharya and Steffen 2013a). The funding initially withdrawn from 'peripheral' sovereign bonds flows to the newly created 'safe' asset class, i.e., 'core' Euro-denominated sovereign bonds (Schuknecht et al. 2010). Interest rates demanded of sovereign bonds in the latter category decline as a result, making future repayment more likely, increasing the chances of maintaining the flow-stock conversion, and further decreasing interest rates (Dany et al. 2015).

Thus, what constitutes merely an arising hedging and speculative opportunity for the European banking circuitry, has disastrous consequences for the 'peripheral' fundamentals subject to benchmarked demands. Simultaneously, the new 'core' category profits from ever decreasing

interest rates. Throughout the 2009 to 2013 years, Germany has been able to issue ten-year government bonds at very favorable interest rates profiting from so-called flights-to-safety (Pusch 2012: 2). According to Bloomberg market data, between May and September 2010 (during the peak of the Greek government's distress), German ten-year bond yields fell from 2.9 to 2.3 per cent. As markets seemed to settle down, between September 2010 and April 2011, bond yields rose again to 3.3 per cent; only to reach a new low of less than 2 per cent by September 2011 – a value above which they have since risen only on a few occasions (Bloomberg 2014b). For maturities less than ten years, the effect is even more remarkable. In January 2012, for example, German six-month bonds reached a historical low as investors paid to deposit money in German safe-haven assets (Phillips and Bartha 2012). The country has thereby saved significantly vis-a-vis the interest rate payments which would have occurred in a non-'crisis' scenario (Dany et al. 2015).

Seen in isolation, the internal differentiation within the asset category of Euro-denominated sovereign bonds and its effects on European fundamentals through the liquidity-solvency conversion worked well for the European banking circuitry as a whole (Shambaugh 2012: 200-203). It has, to some extent, worked less well for individual parts of this circuitry, such as the Dexia group, whose carry trades had allowed it to “buil[d] up a risky sovereign debt portfolio of almost a third of the bank's total balance sheet which was financed almost 50 per cent with short-term funding,” leading to a distress situation when “the quality of the bond portfolio worsened [and] Dexia was unable to roll over the financing of its assets” (Acharya and Steffen 2013b: 3).

Fortunately for these individual actors, however, countries transposed to fundamentals serve a second function for the banking circuitry, that of an extra-market hedge. This hedge can take on three forms: asset relief measures, outright recapitalizations ('bailouts'), and the 'credible

'commitment' to do either or both when necessary (Blyth 2015: 54-56). In the first case, 'bad banks' are created, taking nonperforming assets off bank balance sheets and keeping it in fiscally funded trust to liquidate at later dates (ESM 2013). An example for this is Spain's 2013 bad bank SAREB (SAREB 2015). In the case of an outright recapitalization, the country directly purchases banks which would otherwise have to declare bankruptcy, sustaining their operations and/or supervising their return to profitability. An example is the aforementioned Dexia group, 'rescued' in 2012 (Acharya and Steffen 2013a). The third mechanism guarantees balance sheet integrity indirectly, assuring market participants that an institution's capital cannot fall below a certain threshold and thus preventing self-fulfilling asset runs (Geithner 2014: 226-227).

In all three cases, the fundamental obligates the country to serve as backbone to the banking circuit. The increase in tier-1 capital in European banks after 2008, for instance, is not only due to deliberate deleveraging, but also due to rescue packages taking problematic assets off banks' balance sheets, as with Spain's SAREB (ECB 2013: 26-27). The latter phenomenon is mostly observable in GIIPS countries, where banking sector size and concentration increased substantially after 2010 (*ibid*: 9, 13). The doom loop's 'doom' is firmly situated on the side of countries transposed to fundamentals. After all, countries remain under market supervision while fulfilling their extra-market hedging duty to recapitalize or bail out banks (Baldwin and Giavazzi 2015). Thus, in the post-2008 bailouts of European banks, governments issued debt securities to raise money for the bailout operations, which was subsequently operationalized by the banks previously bailed out as increased debt loads, leading to ever increasing interest rate risk premia, and hence the remainder of the 'doom loop' (Lucarelli 2011: 209).

The so-called crisis can thus now be described as follows. Extra-market hedging operations to which the fundamental obligates its country supply the banking circuitry with the necessary

funds to generate hedging and speculative demand within the differentiated version of what was previously a unified category of Euro-denominated sovereign bonds. This jeopardizes the fundamental's intra-market hedging function by converting liquidity withdrawals to solvency problems threatening the flow-stock conversion.

Two immediate conclusions can be drawn from this redescription. First, as mentioned above, the 'doom loop' is engendered by leveraging and deleveraging of the banking sector alike. This implies that the European tendency to see the root of all crisis in leveraging is erroneous (Barroso and Van Rompuy 2011). The size mismatch between banking sector balance sheets and countries' fiscal capabilities has nothing to do with leveraging; it is a mismatch between the country and the fundamental within the banks' tier-1 capital holdings. Secondly, the so-called Eurozone crisis is not a crisis, but part of the normal operations of the European banking circuitry.

Both of these result from the status of countries as subordinate funding sources to their fundamentals, while the latter are merely hedges to the banking circuitry – portfolio stabilization through debt security issuance, recapitalization as collateral, and direct bank bailouts. Fundamentals can fulfill this role only when deemed creditworthy, i.e., when their country is deemed fiscally sound, which is possible only when continued flow-stock conversion is guaranteed by continued market lending (liquidity-solvency conversion). This means that the capacity of the country to serve as intra- and extra-market hedges is determined by the fundamental, not the country. Since the fundamental, in turn, depends on debt roll-over (as guaranteed by the country's status as guaranteed repayment – i.e., by the conversion of its sovereignty to a market internum), the country's transposed bailout capacity is by definition identical to the extent of its fundamental's obligations – rather than its actual fiscal capacities.

The hedged size of a banks' portfolio, in turn, is identical to the total size of assets which can either be stabilized by sovereign bonds as debt securities or recapitalized by the governments in question (for other tier-1 positions), that is to say, by the extent of the fundamental's obligations. The so-called Eurozone crisis is a banking sector liquidity shortage transposed to the Eurozone member countries' fiscal capacities as defined by this very liquidity shortage.

It follows that leveraging has nothing to do with the so-called crisis. The optimal portfolio size of a deleveraging bank will be oriented towards the minimum amount of leverage compatible with the continued ability to be recapitalized by its corresponding extra-market hedge. However, this does not mean that bank portfolio sizes are constrained by the fiscal abilities of their host countries. Quite the contrary: the size of the country's fiscal budget must be big enough for its fundamental to bail out a bank corresponding to it. Furthermore, it must do so while maintaining "counterinflationary credibility" (Wolf 2002: 44). This is to say the country must satisfy three conditions set by the financial institutions it rescues.

First, the country must also remain 'fiscally sound,' i.e., must attempt to uphold its current flow-stock conversion by attracting sufficient liquidity to convert to solvency (Schäfer and Streeck 2013). Second, the country's ability to remain 'sound' will be influenced by the amount of debt it has to service, which is to say, the size of the relevant interest payments vis-à-vis the country's future ability to uphold its flow-stock conversion through debt security issuance (European Commission 2011a: 39; European Commission 2011b: 55). Third and most importantly, the country must maintain its fundamental's ability to serve as intra-market hedge while it serves as extra-market hedge, i.e., it must remain within the asset class of Euro-denominated sovereign bonds.

It follows that a Grexit has never been a political option, but rather constitutes a trope within

lending dynamics structured syntagmatically by the country-fundamental transposition. This is not because of 'European ideas' or 'commitments' on the parts of Greece or the Eurozone, as some have argued (Cohen 2012). Rather, the 'Grexit' fulfills the function of exemplifying redenomination risk (Coeuré 2013). It thus reinforces the necessity of continuing the self-referential operation which is at the core of the European banking circuitry and hence the Eurozone: the simultaneous continuation of asset class differentiation, liquidity-solvency conversion, and flow-stock conversion supporting intra- and extra-market hedging. Lending to Eurozone countries, depends on the assessment of their respective fundamental as sound, which is to say, on the credibility of their commitment to uphold fiscal solvency. Fiscal solvency, however, is identical to debt roll-over ability, i.e., market liquidity. In this context, the 'Grexit' was merely a trope constituting an escalation of arbitrage opportunities by driving up Greek sovereign interest rates, reducing hedging demand and increasing speculative demand.

That the root of all crisis is not leveraging may seem surprising. Indeed, one of the most striking facts of the European banking system is the extreme inequality of bank sizes as well as the corresponding high degree of banking sector concentration. Greece, for example, had the third largest banking sector concentration of all European nations, behind only Estonia and the Netherlands. In 2008, Greece's five largest banks held 70 per cent of all assets; in 2012, this figure had almost grown to 80 per cent (ECB 2013: 13). The situation is similar in Germany. In 2008, half of the German banking sector consisted of internationally oriented universal banks. Slightly more than a quarter of all assets held in the German banking sector were held by privately owned universal banks. 21 per cent were held by publicly owned *Landesbanken*, which are likewise universally and internationally active despite regulatory problems – leading to the involvement of *Landesbanken* like *Sachsen LB*, *West LB*, and *IKB Industriebank* in the

2008/2009 subprime crisis (Hau and Thum 2009: 707). Both in Greece and in Germany, the remainder of banking sectors are small-scale regional institutions (ECB 2013).

European banks' portfolio sizes therefore routinely exceed the total fiscal capabilities of their corresponding countries. Not only was the total asset size of the European banking system three times as large as the entire European industrial economy in 2007 as well as 2013 (Shambaugh 2012: 162; Lawton 2013). The largest European banks were also often bigger than the entire GDP (let alone fiscal capability) of their home country, and highly global in orientation. The Dutch ING group, German Hypo Real Estate or Portugal's *Espirito Santo* group are examples of this (Shambaugh 2012: 162). The Belgian Dexia group's activities extended far beyond Europe, particularly into U.S. subprime markets (Guillén 2012: 50). It had to be recapitalized twice (in 2008 and 2011) by Belgium, the Netherlands, and Luxembourg together, because its size exceeded any of the three countries' capabilities (Acharya and Steffen 2013a).

This example shows that the fiscal capacities of the bank's host country are irrelevant. If necessary, several countries will unite to serve as extra-market hedges. What matters is the extent of the fundamental's obligations, to which country capacities are forced to acquiesce by the liquidity-solvency conversion. Within transposed intra-economic sovereignty, these obligations will be matched. This is especially the case since the countries involved are not themselves the primary sources for the funds involved. Rather, the funds stem from debt roll-overs, i.e., from the banking circuitry itself. The fiscal soundness of a fundamental, as discussed above, is a judgment of markets about themselves since it is a judgment about the ability to continue debt roll-over – which is to say, about liquidity provisions by markets themselves. To the country, therefore, it is not an assessment, but an imposition.

The reason fundamentals can perform their intra- and extra-market hedging functions at all

is the proper functioning of their corresponding country's (or, in Dexia's case, countries') flow-stock conversion. Since this, in turn, depends on the liquidity-solvency conversion, the fundamental serves as transmission belt for bank funds to other banks via sovereign bonds and bailouts (Gore and Roy 2012). The country's only role in this is to incur enough debt to ensure its fundamental's role, i.e., to maintain the circulation of banking sector funds. In the case of the intra-market hedging function, this takes the form of debt roll-over at market interest rates: repaying old obligations by issuing new obligations. Likewise, the country's ability to recapitalize its banks depends on market liquidity: the extra-market hedge relies on the functioning of the intra-market hedge. In both cases, the result is the proper function of the banking circuitry, guaranteed by permanently growing public debt (Lazzarato 2012: 122-128).

So-called 'crises' of government solvency are thus the normal and indeed necessary results of maintaining the fundamental's function as a conduit of banking sector funds under conditions of asset class differentiation and bailouts. Nobody needs to worry about the banking circuitry's health and well-being (Shambaugh 2012: 200-203; Blyth 2015: 264-266). This does not mean that there are no ramifications for other actors, however. Country governments are obviously affected, as is the European real economy. Speculative carry trades and hedging flights-to-safety alike led to an increase in government debt securities holdings, at the expense of industrial nonbank lending (Schuknecht 2010; Acharya and Steffen 2013a). Indeed, the decline of the pan-European loan-to-deposit ratio between 2008 and 2012 was largely due to just such a decline of industrial nonbank lending (ECB 2013: 19; Thompson 2014). Thus, a lending freeze was engendered by the effects of banking sector lending withdrawals to the real economy in the Eurozone (Buell 2014). Yet, it is crucial to note that these effects on the European real and fiscal economies are not due to banking sector distress, but rather its exact opposite. Withdrawing real

lending is a hedging operation just as sovereign asset differentiation (Graziani 2003: 88-95).

Neither market irrationality nor state irrationality are at work here. Since market investments are ultimately self-referential and hedged sufficiently at all times, the banking circuitry as a whole has never been in conditions which can meaningfully be described as 'crisis' conditions. Classically, a crisis denotes a period of intense strain exposing underlying flaws whose ramifications, perhaps hitherto unknown, burst to the forefront of the public attention and demand urgent solutions (Roitman 2014: 15-31). Indeed, the so-called Eurozone crisis seemed to have "Europe...in financial and economic disarray" (Geithner 2014: 441). It seemed to constitute "fateful times" in which "[t]he financial crisis, which has developed into a crisis of the states, calls to mind the birth defect of an incomplete political union marooned in midstream" (Habermas 2012: 119, 121). Yet, this was at its core not the case. The banking circuit, assured in its proper workings of its intra- and extra-market hedges, suffered no pressure. Nor were any flaws exposed with regard to their portfolios, their hedging and speculative operations, or asset differentiation. The size mismatch between countries and fundamentals, the overextension of countries and the resulting interbank 'contagion' are mechanisms derived from and at the service of this normality (Lazzarato 2012: 165; Berardi 2012: 85).

## 2.6 Methodological Nationalism Deployed

This section expands on the ramifications of the country-fundamental transposition on the structure of Eurozone member states. Following up on the finding of the previous section that the country and its fiscal capacity are derivative and dependent variables of market liquidity, and hence that the fundamental is primarily a hedged transmission belt of market liquidity, I propose here a radicalization of the notion of methodological nationalism. The concept as such is mainly epistemological and discursive: it describes the ascription of transnational and indeed global

economic phenomena (particularly in debt relations and with regards to terms of trade) to territorially fixed nation-states (Pogge 2002: 139-141; Beck and Sznajder 2006: 2-3). Yet, the decisive point in this section is that the fundamental completely reverses the primacy of its country's extra- and intra-economic sovereignty: the theory that sovereign debt is eligible as tier-1 capital because the country's given fiscal capacity sustains its flow-stock conversion is upheld only because its fiscal capacity is an effect of market liquidity. The country is constituted by the fundamental as part of banking sector balance sheet presuppositions.

Eurozone member countries, transposed to fundamentals, are therefore the dependent manifestations of the European banking circuitry's transmission of funds to itself. The unification of European interbank markets requires a continuous hedging operation which in turn requires national fundamentals *and therefore* national economies as fundamentals for intra-market hedges (debt securities) and extra-market hedges (bailouts). The connection between fundamental and country, rather than running from the latter to the former, as the representational perspective suggests, is rather a re-nationalization from a European portfolio perspective.

Eurozone nationalism is thus not a product of the so-called crisis, as some have argued (Habermas 2012; Moore 2015). Nor is it the result of hegemonic aspirations or centrifugal tendencies – nor, even, of economic incommensurabilities (Galbraith et al. 2014; Streeck 2015). Rather, it is a structurally necessary part of the country-fundamental transposition serving European bank balance sheets. After the introduction of the Euro in 1999, after the conversion of the European Monetary Union to the cash-integrated Eurozone in 2001, and subsequently with the emergence of the TARGET (2001) and TARGET2 (2007) settlement systems, an integrated European interbank market emerged, measurable by the decline in mortgage interest rate differentials across European countries (ECB 2013: 55). To be sure, banking integration in

Europe measured by stock price correlation had already been considerable after 1993 (Schüler 2002: 156). Yet, only with the common denomination of assets on banks' portfolios, increasingly pan-European portfolios emerged (ECB 2013: 53).

To an extent, this is due to the disappearance of currency risk; yet, this absence alone does not explain the substantial and unprecedented degree of integration on secondary sovereign debt and interbank markets (Ehrmann et al. 2011; Blyth 2015: 80). Rather, it was the integration of European secondary sovereign bond markets which substantially overrode the "home bias" of investors after the introduction of the Euro (Lo Conte 2009: 347). When the 2003-2007 global credit boom supplied additional liquidity, which the European sovereign bond market was ideally equipped to receive it thanks to its infrastructural role as transmission belt for banking liquidity via 'safe' intra-market hedges (Lane 2006: 58; Lo Conte 2009: 348).

The result of these developments was the convergence of government bond yields of 'core' and 'peripheral' European countries between 2001 and 2009 (Ehrmann et al. 2011: 350). These corresponded to substantial current account deficits of the latter vis-à-vis the European 'core' (Lane 2006: 53; Eser and Schwaab 2013: 54). The simultaneous emergence of a unified European secondary sovereign bond market and a unified European interbank market after European Monetary Unification was therefore secured by a nationalization of real economies which supply the structurally necessary countries corresponding to fundamentals: flow-stock conversions supposedly upholding the solvency whose conversion from liquidity allows fundamentals to serve as transmission belts in the first place.

The prevalence of European economic nationalism in the so-called crisis despite the institutional unification of European markets discussed here is no accident, however. Nor is it merely the result of 'peripheral' countries having "lived beyond their means and failed to get their

welfare systems and national budgets in order on time,” as some have argued (Bastasin 2012: 104). At its core, both in the post-2007 banking sector bailouts and again in austerity nationalism after 2009, the projection of European countries corresponding to fundamentals is necessary to maintain institutional integration. Moreover, since countries safeguard the integration of sovereign debt and interbank markets, serving as objects of trade (intra-market hedges) as well as subjects of bailouts (extra-market hedges), it is necessary to have them compete for fulfillment of benchmarked requirements (Lane 2012: 49-50).

Hence the trope of sovereign debt and national origins of the so-called crisis. According to Article 121 of the European Union (as amended by the Lisbon Treaty), sovereign bond issuance is as national (upholding the liquidity-solvency conversion) as bank bailouts (upholding the flow-stock conversion upholding the extra-market hedging operation) (Bastasin 2012: 82). Repeatedly, the German Federal Constitutional Court has insisted on this interpretation, for example, in its ruling on so-called Eurobonds (Münchau 2011; Bastasin 2012: 208). Nevertheless, this is not the stalwart defense of national prerogatives its defenders assert it is, nor the expression of a German or German-French hegemony as which its critics classify it (Schild 2013).<sup>6</sup>

This can be seen, first and foremost, in the national disbursement of banking sector rescue funds after 2007. Between October 2008 and December 2012, Eurozone governments provided funds to banks amounting to a total of €592 billion – in addition to guarantees of €1.1 trillion

6 In another example of supranational integration using nationalized measures, the preservation of fiscal nationalism had been a contentious point in the negotiations leading to the so-called “banking union” for Europe (Spiegel 2014). Technically, the “banking union” consists of a Single Supervisory Mechanism, situated in the ECB, overseeing euro area banks in all 18 member states, to be initiated November 2014; and a Single Resolution Mechanism with pooled funds for banks in distress (European Commission 2014c). Since an unrestricted banking union raised fears that core countries would be asked to bail out peripheral countries’ banking systems, weighted majorities and the establishment of the Resolution Mechanism by a separate intergovernmental treaty ensure that European intergovernmentalism prevails – which means that, at least for the time being, banking sector bailouts remain national (P.W. 2013).

between 2007 and 2011 (P.W. 2013; European Commission 2013: 6). These efforts were financed nationally by issuing intra-market hedges – sovereign debt – subsequently assessed by the rescued banks as 'unsustainable' relative to the size of national GDP, thus allowing the 'core'-‘periphery’ asset class differentiation (Lane 2012: 53; Cohen 2012: 694; Guillén 2012: 61).

The national character of banking sector bailouts, necessary to maintain the country-fundamental transposition, resulted in a highly inequitable distribution of bailout disbursements across the Eurozone. To be sure, the majority of European banking sector recapitalizations in absolute terms occurred in Great Britain and Germany. Spain and Ireland each approved in €575 billion in banking sector liability guarantees, recapitalization and asset relief between 2008 and 2012 (of which Spanish banks used roughly a quarter; Irish banks about half). Germany, by comparison, approved €646 billion of recapitalization and asset relief; the United Kingdom, €873 billion (each banking sector using about a third of these approved funds). Italy's (€130 billion), Greece's (€129 billion, of which half [!] were used), and Portugal's (€77 billion euros) approved funds figures are comparatively small (European Commission 2013).

Of course, each of these figures has to be put into the context of the country's fiscal capabilities. Seen this way, the German figure is disproportionately small, while Ireland's, Spain's, and even Greece's are disproportionately large. In 2011, Germany's GDP stood at €2,610 billion, while Ireland's was at €163 billion, Spain at €1,046 billion, and Greece at €209 billion (Eurostat 2014b). Thus, the magnitude of German banking guarantees relative to Spain's was 1.12 to 1, while the German GDP in 2011 was roughly twice Spain's size. Likewise, the magnitude of guarantees from Germany to Greece was 5 to 1, while Germany's GDP size in 2011 was 12.5 to 1. Ireland's GDP, the most extreme case, amounts to only a sixteenth of Germany's, while Ireland's banking sector guarantees are related by 1.12 to 1 (Palcic and Reeves 2011: 190).

Eurozone extra-market hedging operations therefore not only reinforced and exacerbated an older structural nationalism in the Eurozone, they also engendered the inequitable interest rate hikes used by the recapitalized banking circuitry for carry trades (European Commission 2011a: 10-11; European Commission 2011b: 12-14; European Commission 2012b: 14). The Greek and Portuguese debt load in particular had already reached public debt-to-GDP ratios deemed unsustainable by markets (Lane 2012: 53; Guillén 2012: 61). In Portugal in 2009, the debt-to-GDP ratio was at 76 per cent (up from 66 per cent in 2008); in Greece, 127 per cent (up from 99 per cent in 2008) (Eurostat 2009). In Ireland (80 per cent in 2009, up from 50 per cent in 2008) and Spain (40 per cent in 2009, up from 36 per cent in 2008), debt levels were initially less high as their debt load had been mostly private rather than public (Eurostat 2010; Blyth 2015: 65). Interest rate increases for sovereign debt only occurred when the countries were integrated into the GIIPS category by their fundamentals. Italy in particular exemplifies this, as it shouldered a disproportionately low load of banking sector bailouts after 2008: its GDP relates to Germany's as 1.65 to 1 in 2011; in banking sector support, the comparison amounts to slightly less than 5 to 1 (Eurostat 2014b). Nevertheless, Italy came to be involved in the GIIPS category due to the liquidity-solvency conversion.

These findings show not only that bailouts were national. Rather, they and their refinancing through sovereign debt issuance constitute a *re-nationalization* projected from a European level: the unified banking circuitry requires nationalized hedging operations. It is a symptom of this, rather than the origin, that the European Commission had to approve the disbursement of bailout funds to the banking sector in each case, and that the European Commission's measurements of how much state aid was permissible in each bailout case corresponded to the provisions regarding 'fiscal sustainability' laid out in the European Stability and Growth Pact (Heise 2012:

51). Nevertheless, it is a noteworthy symptom: the so-called Eurozone crisis, far from being a crisis of the European project, is rather its completion. In this institutional infrastructure, banks have always relied on their national intra- and extra-market hedges; the fundamental had always structured the country; country solvency had always been identical to liquidity provided on primary sovereign debt markets and dependent on liquidity transferred through secondary sovereign debt markets (Harmes 2006).

European multidimensional governance works simultaneously on subnational, national, and supranational levels, or more precisely, it simultaneously deploys the European level and the national level, depending on what the situation requires (Holman 2004: 717). The Single Market, and particularly the common capital markets (sovereign bond and interbank markets), operates primarily on a European level (McCormick and Olson 2014: 69-72). By the same token, the establishment of the Single Market requires national measures, whose implementation operates the prescription of inevitability (Mirowski 2013). First and foremost, these consisted in capital market liberalizations and deregulations, “underpinned by a gut feeling that market forces resemble the ebb and flow of the great oceans, and that anyone who tries to get in their way is a latter-day King Canute” (Varoufakis 2015b: 143). Further 'inevitable' measures include the strengthening of executives over legislatures, supranationalization of 'market enabling' state competencies and regionalization of 'market inhibiting' state competencies (Harmes 2006: 735-739). These measures are in direct continuity with austere prescriptions, where citizens were assured that

[g]rowth is unlikely to be buoyant as the initial corrective fiscal measures are implemented, but with financial sector policies to preserve the soundness of the banking sector and strong medium-term fiscal and structural policies, the economy will emerge...in better shape than before with higher growth and employment (European Commission 2010b: 40).

Such assurances have since turned out to be quite fallacious. Yet, this did not diminish austerity's supposed inevitability. Rather, as I discuss in chapter three, it actually enhanced it.

Nor should the anti-democratic method of implementing austerity have surprised anyone, as it is in well-established continuity with the neoliberal world in which “governments pursue policies that they believe will earn them market confidence and attract trade and capital inflows [...], [u]nencumbered by domestic economic and social obligations” (Rodrik 2011: 201). An example is the Greek 2011 referendum on austerity measures, which was subsequently blocked by German and French pressure (Donadio and Kitsantonis 2011). Likewise, the result of the Greek 2015 referendum on austerity, a resounding rejection, did not reach the Eurogroup (Steinhauser and Fairless 2015). That the country's extra-economic sovereignty must be stopped is thus by no means a new facet of the European project. Indeed, Wolfgang Schäuble's technique of invoking European contractual obligation in austerity deliberations in 2015 is merely a return to a long-standing European tendency to present the *acquis communautaire* – and hence market-friendly adjustments – as irreplaceable and inevitable (Holman 2004: 720).

Enforced by the liquidity-solvency conversion, the nation-state's ability to uphold the flow-stock conversion is thus harnessed in service of a European supranational goal: “[t]he euro-area Member States declare their readiness to take determined and coordinated action, if needed, to safeguard the financial stability in the euro area as a whole” (European Commission 2010b: 9). The responsibility for upholding the conditions under which the fundamental can play its role as transmission belt for banking sector liquidity are left to the country (Schäfer and Streeck 2013: 17-22). Far from constituting a 'crisis,' the so-called Eurozone crisis is the continuation and completion of the European institutional parallel of the supranationalization of 'market enabling' regulation which goes along with methodologically nationalist benchmarking preventing 'market

inhibiting' state functions (Harmes 2006: 735-745; Lazzarato 2012: 167-184).

## 2.7 Crisis: Doubling Down

The so-called Eurozone crisis is thus neither a crisis for the European banking circuitry nor for the European institutional setup. Claiming that it is a 'crisis' nevertheless serves a purpose. In principle, this would be "a post hoc and necessarily political denunciation of a particular situation" (Roitman 2014: 49). One need not overestimate the politicality here, however. Those who decide what the 'crisis' is are the ones deciding what situation is to be denounced and how (ibid: 68-69). The 'crisis' therefore marks, first and foremost, a continuation and indeed a reinforcement of pre-'crisis' power relations and hence austere neoliberalism (Krugman 2012a). In the European case, the banking circuitry has been able to claim being at risk at all times. After 2007, the global liquidity breakdown required extra-market hedging interventions (Giannone et al. 2011). After 2009, the 'crisis' suddenly resulted from these very extra-market hedges supposedly rendering intra-market hedges unsustainable (Schäuble 2011; Pusch 2012: 1-2).

First, the notion of 'crisis' is a central element in the conversion of market liquidity to governmental solvency. Prior to 2008, 'markets' considered investments in Greek and Portuguese sovereign bonds as well as the Irish and Spanish construction sectors profitable under conditions of interest rate convergence (Claessens et al. 2010: 270; Schiaffino 2013: 458). Subsequently, and *a fortiori* after October 2009, Euro-denominated sovereign bonds proved more profitable if differentiated into 'core' and 'periphery' categories, and capital flights away from the European periphery occurred (Shambaugh 2012: 216). Market rationalizations were available both for the boom and its unraveling. During the pre-2008 boom, market rationalization justified European sovereign bond yield convergence – despite ongoing real economic differences – by assuming the possibility of a further European unification towards fiscal solidarity and solidarity (Belke

2012: 675). After 2008, by contrast, market rationalizations justified their panic by invoking what on the surface appears to be the exact opposite argument: that Eurozone member states, in order to be lent to, have to show anti-inflationary commitment (Cohen 2012: 697; Blankenburg et al. 2013: 464-465). Yet, the demands of 'fiscal solidity' remain constant, as do their self-fulfilling and self-reinforcing operationalizations: a country is fiscally sound when its market interest rates are low, and market interest rates are low when the country is fiscally sound (Pusch 2012: 2-6).

European Monetary Union between 1999 and 2009 gave rise to converging yields between the sovereign bonds of Germany and France on the one hand, Portugal, Greece and Spain on the other (Ehrmann et al. 2011: 350). In official narratives, this indicated that peripheral long-term real inflation expectations (which is to say, the country's 'competitiveness' as measured by the proto-austere demands of European interbank market integration) were judged by markets to converge with those of European core countries (Cohen 2012: 690; Bastasin 2012: 96; Belke 2012: 675). That this was not the case, and indeed, as chapter three of this study argues, could not possibly be the case, troubled few (Deutsche Bundesbank 1998: 26-29).

Under such circumstances, governments felt at liberty to borrow according to the ability projected by markets onto their fundamental since it seemed safe to assume that "commercial banks and their interbank markets are more efficient at evaluating financial risks than central banks" (Lucarelli 2011: 215). Indeed, global liquidity exuberance was easily converted into peripheral fiscal solvency prior to 2008, encouraged by the ECB's interest rate policies and the fixation of European peripheral inflation assumptions at core levels (*ibid*: 213).<sup>7</sup> Between 2008

---

<sup>7</sup> This opulence did not, of course, reach all members of society. As 'competitiveness' remained the most favored policy of European benchmarking even between 1999 and 2009, social races to the bottom prevented large parts of 'peripheral' society from participating even in the modest opulence of the global boom's peripheral spoils (Kaplanis 2011: 267-268). To nobody's surprise, this proto-austerity has subsequently continued seamlessly in austerity, preserving and extending inequality. I discuss this in chapters five and six in particular.

and October 2009, i.e., between the U.S. subprime crisis shock waves and the Greek debt announcement, the ECB's Long-Term Refinancing Operations (LTROs) allowed the European banking circuitry to maintain its liquidity while beginning to profitably differentiate 'core' and 'periphery' (Giannone et al. 2011: F471).

'Crisis' is an element deployed within this dynamic to uphold and reinforce the country-fundamental transposition. European banks are not, nor have ever been, 'in crisis': intra- and extra-market hedges are available at all times. The withdrawal of wholesale funding from non-European sources on the European interbank markets constituted at best a catalyst, a mere readjustment of international portfolios (Giannone et al. 2012: F469; Lane 2012: 55). Flights-to-safety are never problematic for the investors executing them (Rodrik 2011: 106-107; Lane 2012: 60). Demand for 'safety' could be satisfied by depositing funds in German, Austrian, Latvian or Finnish funds and later in the rescue facilities ESM and EFSF (Blankenburg et al. 2013; Dany et al. 2015). Demand for risk, on the other hand, could at all times be satisfied by investing in 'peripheral' Euro-denominated sovereign bonds; assured in their interest rate mark-ups by the stifling of growth resulting from austerity (Blyth 2015: 258-259).

Nor is this immunity noticeable only on the level of the European banking circuitry as a whole. The Dexia group, exemplifying so many of the banking circuitry's maneuvers in the so-called crisis, took advantage of the carry trade opportunities arising from the 'core'-'periphery' differentiation until well into the so-called crisis. As late as 2011, it increased its portfolio of peripheral debt securities, safe in the knowledge that its extra-market hedging operation (Belgium) would eventually intervene (Acharya and Steffen 2013b: 9-10). Likewise, as late as 2014, Portugal's *Banco Espírito Santo* was able to tap into extra-market hedging funds when five billion euros in recapitalization payments were disbursed along with three and a half billion

euros deposited into a 'bad bank' (Goncalves 2014). This was financed out of the 2011 rescue package responsible for Portugal's austerity, and hence out of European bank funds (Cohen 2012: 693). In both cases, the funds disbursed stemmed from the totality of the banking circuitry rescuing a part of itself (Coppola 2014).

'Crisis' doubles down on pre-'crisis' proto-austerity in three ways. In each case, political decisions are naturalized to non-decisions as extra-economic sovereignty is paradigmatically converted into intra-economic sovereignty, enabling the liquidity-solvency conversion. Firstly, it reinforces debt repayment prioritization (European Commission 2010: 8-10). The argument justifying this in the conventional narrative is that 'crisis' signifies the unraveling of a general tendency of states and societies to live beyond what benevolent officials had long since identified as their means (Lazzarato 2012; Berend 2013: 91-114). In the particular European context, this posits European 'peripheral' governments as reckless spenders of borrowed money ultimately responsible for the 'crisis' (Blankenburg et al. 2013: 464). The enforcement of austerity measures is thereby justified, as such ascription shifts blame away from the European 'core,' and makes debt repayment a self-evident technical necessity (Bastasin 2012: 156-157; Lazzarato 2012: 183-184). For the purposes of the banking circuitry, it guarantees the simultaneous enforcement of the flow-stock conversion and interest rate differentiation between 'core' and 'periphery' (Botta 2013: 463-464).

Second, by the same token, 'crisis' reinforces the status of debt roll-over as the primary means to gather funds to repay debt, and hence the status of the liquidity-solvency conversion. That governments finance their debt repayment through debt roll-over under conditions of rising interest rates makes the latter a disciplinary tool (Bastasin 2012: 159). By positing that governments' reckless borrowing and spending are the underlying factors of 'crisis' – rather than

the provision of credit according to the oscillation of global market sentiments – 'crisis' becomes a diagnostic tool (Manganelli and Wolswijk 2009: 194; Lo Conte 2009: 344). The 'crisis' is a crisis of sovereign debt, not of markets, who work properly by definition and who therefore remain the disciplining tool by which government's excessive borrowing and spending is to be corrected (Lo Conte 2009: 343; Belke 2012: 679). This forces governments to prioritize measures to reduce interest rates, which is to say, it makes these interest rates the yardstick of anti-inflationary commitment (Wolf 2002: 44; Botta 2013: 427-428). The fundamental is thus preserved in its function as the transmission belt of market liquidity to itself.

Third, 'crisis' normalizes the previous two reinforcements by positing 'times of crisis' as a specific urgent temporality "going far beyond the scope of normal history" (Serres 2014: 17). This reinforces the antidemocratic nature of the liquidity-solvency conversion, since it is important in such conditions that "cooler heads ... prevail," that one "tone down the rhetoric and roll up [one's] sleeves and get to work on a solution," as wise "finance chiefs" reminded Greeks in the 2015 bailout negotiations (Ellyatt 2015). These 'chiefs' are, of course, the very same who told Greek society that it should borrow liberally before 2009, and who encouraged it to access the structured financial asset markets from which the 2007-2008 crisis emerged (Armitage and Chu 2015).<sup>8</sup> They are likewise the very same who subsequently told the country that it had been living beyond its means. 'Crisis' suggests that a previous normality was disrupted, which implies that the pre-2009 European and global socio-economic state was 'normal' (Roitman 2014: 62, 81). It thereby reinforces the country-fundamental transposition as the normality to be restored. Beyond restoring it, moreover, its continued existence must be guaranteed:

---

<sup>8</sup> Anticipating the discussion of the 'core'-'periphery' differentiations differentiated real economic effects on Germany and Greece in chapters four and five, it is noteworthy that German public entities (publicly owned *Landesbanken* in particular) also liberally traded in these markets and incurred heavy losses in 2007 and 2008, yet never faced the same reckoning as Greece's government did (Hau and Thum 2008: 703).

So to now call into question not just the letter, but also the spirit of the fiscal governance framework would be self-defeating. If this were to again cast doubt over fiscal sustainability, it would create a risk that borrowing costs, and hence fiscal policies, turn procyclical once more (Draghi 2014).

This precludes a critique of the conventional sovereign debt interpretation by shifting the question from contesting its legitimacy to asking how lending unraveled and how its previous 'normality' can be restored. Moreover, the 'crisis' trope suggests a limited duration of events, positing that 'the crisis is over when X happens' (Greece's primary surplus in early 2014, Portugal exiting the ESM in 2013, the European banking union in 2014, etc). Arguments of this kind have been made repeatedly. For example, real estate analyst Graham Barnes wrote in October 2013 that he "cannot claim originality when I say that confidence has returned to European markets," citing the German-Italian and German-Spanish yield spreads as evidence (Barnes 2013). This happened just nine months before yet another reassurance became necessary about the woes of Portuguese bank *Banco Espírito Santo* that were said to be "A Portuguese Disaster, Not A European Crisis" (Coppola 2014). In both cases, the proper functioning of sovereign debt roll-overs forms the cornerstone of the confident analysis. This, too, normalizes pre-'crisis' practices since it allows to argue that the 'crisis' has been 'solved' once these structures are restored. Moreover, it reinforces enlightened technocrats as well as markets, whose pronouncements not only declare what the crisis is, but also how and when it is solved (Issing 2011).

## 2.8 Conclusion

I have shown that the so-called Eurozone crisis is not a crisis of sovereign bonds, engendered by reckless peripheral overborrowing. For the European banking circuitry and European institutions, it is not a crisis at all. It is rather the seamless continuation of European interbank market integration under conditions of post-2007 transatlantic liquidity withdrawal. This integration required the previously converging interest rates of Euro-denominated sovereign

bonds to be differentiated into a 'core' and a 'periphery' category. Only thereby could sovereign bonds of Eurozone member states continue to play their role as tier-1 capital on banking circuit portfolios while simultaneously offering profitable carry trade opportunities.

At the heart of the operation which turned a liquidity shortage into a so-called sovereign debt crisis is the reversal of the representational perspective in which primary sovereign bond market interest rates as well as secondary sovereign bond market pricing is a result of a country's real economic fundamentals. This reversal rests upon reversing the sovereignty of Eurozone member countries from a guaranteed ability to default to a guarantee to repay debt obligations in full. What occurs is the transposition from country to fundamental, from an extra-economic sovereign setting rules for markets and capable of default to an intra-economic sovereign guaranteeing the tier-1 capital function of sovereign bonds.

In turn, this transposition contains two conversions. First, an internal conversion from sovereign bond repayment flows to sovereign bonds as actuarial stocks on portfolios allows the asset class to fulfill an intra-market hedging function as always already guaranteed debt securities. Second, this internal guarantee of full repayment is itself only a transmission belt of banking sector funds through the fundamental. The country corresponding to the fundamental refinances its debt repayment through the issuance of new debt at market interest rates. The banking circuitry thus not only acquires a risk-free asset, but can also set interest rates to enjoy differentiated returns on their investment. The country, in turn, gathers only the real risk contained in its reliance on market interest rates, as well as ever mounting debt. Moreover, it fulfills a second obligation: recapitalizations or bailouts as well as 'bad bank' asset relief (extra-market hedging operations). Since the funds for these operations are likewise acquired through debt roll-over at market interest rates, projects the fundamental's commitments as extra-market

hedges onto the country's fiscal abilities without regard to the latter. Eurozone member states are thus not caught between monetary and fiscal institutional mismatches, or within German attempts at hegemony. They are transposed to fundamentals, dependent variables of the European banking circuitry's contradictory demands. Far from being in a 'crisis,' the European banking circuit rather deploys that notion of crisis as a trope to complete and guarantee the workings of the country-fundamental transposition.

Nevertheless, this deployment has very real and dire consequences for Europe's real economy. Here, the country-fundamental transposition transforms into its more specific austere incarnation, and the demands of the European banking circuitry come to be implemented by the methodological nationalism prevailing in the austere real economy of the Eurozone. The transposition of countries to fundamentals entails that the country's policies must signal commitment to obey the demands of markets transmitted through the liquidity-solvency conversion (Wolf 2002: 40). This is to say that, independent of the size of the fundamental, the country's fiscal expenses must be at the possible minimum – unless the country is called to serve as extra-market hedge in a bank bailout operation. The 'crisis' thus manifests as an austere demand freeze reinforcing an interbank lending freeze throughout Europe after 2008 (Claessens et al. 2010: 275; Pusch 2012: 1; Guillén 2012: 51; ECB 2013: 14-16).

To the banking circuit, this constitutes a mere market correction. In the same way, sovereign bond reallocations are harmless liquidity withdrawals from the circuit's perspective, yet to sovereigns, they are existential solvency crises (Belke 2012: 685). This mere market correction, in the circuit's portfolio perspective, is a return to a more prudent approach of private households to spending after years of excess; a prudence not to be disturbed by governmental macroeconomic interventions (Berend 2013: 91-114). From this perspective, it is irrelevant that

private spending, particularly in economies under fiscal stress, can only contract to a certain extent before the economy collapses (Shambaugh 2012: 170). Nor does it matter that a government's expenses, when subjected to prioritized debt servicing, will frequently lead to a further crunching of private expenses, thus eradicating growth stimuli so direly needed after the 2008 crisis (Heise 2012: 51; Guillén 2012: 55; Cohen 2012: 697).

The result is what the next chapter will discuss as the austere transposition: the ideology of “expansionary fiscal contractions, … a sort of 'Frankfurt Consensus' in tune with the German cultural heritage of the bank” (Bastasin 2012: 175) and supported by carefully selected cases such as the rapid credit-fueled growth of Eastern European countries after their EU accession in 2004 despite strong fiscal restraint (Blyth 2015: 216-220). The banking circuitry at the heart of the Eurozone has never been in crisis, nor has the project of market-based European integration. Both of these use the 'crisis' trope to implement austerity.

## Austerity

As of the summer of 2015, the cut-off point of this study, the Eurozone's real economy was still beset by trouble, as growth remained anemic and unemployment remained high (Eurostat 2015e; Eurostat 2015h). The state of Eurozone member countries' finances in particular was troubled by a highly unequal balance of payments across the Eurozone. "Debtors are forced into draconian austerity, while creditors face no pressure to reflate; economic crisis, which should be met with expansionary policy, instead leads to contraction because of this asymmetry" (Krugman 2015). On the scale of the Eurozone as a whole, this inequality led to a general deflationary tendency, as debtor countries were forced into deflation while creditor countries were under no pressure to respond with inflation to equilibrate the Eurozone's overall balance of payments (Nelson et al. 2012).

Not surprisingly, the Eurozone's austerity policies leading to this unequal balance have been described in terms that have little to do with its economics (Owen Jones 2015). Their latest incarnation in the third Greek bailout package, for example, has widely been denounced as a triumph of Northern European, and particularly German, interests over Greek ones; indicated by the twitter hashtag #ThisIsACoup perceived by many as an apt description of the situation (Le Monde 2015). Others have described the renewed austerity package which Prime Minister Tsipras had to push through Greece's parliament without the backing of a sizable share of his governing party SYRIZA as "simply being cruel to be cruel" (Moore 2015).

In this chapter, I maintain that the latter assessment is closest to the truth, though still does not encompass the full extent of austerity's goals. I initially agree with Mark Blyth's (2015) and Paul Krugman's (2012b; 2015) recent critiques of austerity policies arguing that they are economically unfit to reach their stated goal, the return of investor confidence and, ultimately,

growth. Yet, I maintain that they and other critics are mistaken in interpreting austerity as a set of policies oriented towards restoration of investor confidence and hence growth. Nor are austerity's counterproductive effects with regard to growth merely the result of its implementation at the behest of markets in panic (De Grauwe and Ji 2013). The program's objectives are not flawed because, contrary to what is stated by the institutions tasked with implementing them, they do not aim to engender growth or investor confidence. They are deliberately destructive, although not in the sense that a German hegemony is being erected or that their objective is cruelty.

Austerity rather constitutes parts of the European economy as national economies, embedding them into a moral economic field of Northern European virtue and Southern European condemnation.<sup>9</sup> The genealogical origin of this particular moral trajectory of austerity is in Germany, yet its application has gained additional violent vigor because of its European implementation. This moral economy is partly the result of the antidemocratic impositions of austerity through the liquidity-solvency conversion discussed in the previous chapter, where European banking integration is predicated upon real economic disintegration into competing,

---

9 In E.P. Thompson's study on the *Moral Economy of the English Crowd in the Eighteenth Century*, the concept of 'moral economy' is introduced to distinguish a view on social action as motivated by folk notions of propriety from a view on these same actions as motivated by more traditionally assumed economic motives – profit in particular. For Thompson, English 18th century 'riots' can only be explained on the basis of "a consistent traditional view" on the part of the peasantry of the time "of social norms and obligations, of the proper economic functions of several parties within the community," resulting in "definite, and passionately held, notions of the common weal" (Thompson 1993: 188). Thompson's notion, therefore, has a similar function as Karl Polanyi's (2001) concept of 'embeddedness.' In both cases, the moral economy of a people or a social group, centered (at least to a certain extent) around notions of fairness, equity, and propriety, crystallizes in opposition to a political economy (and, more specifically, the capitalist political economy) imposed upon it. Likewise in both cases, the moral economy has definite political economic outcomes and does not constitute a 'moral' sphere entirely opposed to political economy: folk notions of propriety allow for profit and inequality just as much as the imposed political economy does (Thompson 1993: 188). In this study, the concept of austerity as a moral economy is similar to Thompson's, though less so to Polanyi's notion in that it constitutes an economic principle predicated primarily upon moral rather than political economic goals without abandoning political economy entirely. In austerity's case, as I will show, moral condemnation and the destruction of the condemned 'peripheral' economies trump the macroeconomic necessity of growth, though the European banking circuitry profits from the destruction of the 'periphery.' It differs in that austerity's moral economy is not a folk economy resisting capitalist imposition, but rather the result of a moral overdetermination within capitalism – i.e., as I argue in this chapter, the moral overdetermination of the country-fundamental transposition by the austere transposition.

supposedly national economies capable of serving as disinflating countries corresponding to fundamentals. However, this competition is also morally overdetermined, as I argue in this chapter, and thus escalates into a purely destructive economy.

To show this, my analysis proceeds in five steps. The second section of this chapter takes stock of the debate on European austerity as it took place between the first Greek austerity programme (2010) and the election of SYRIZA in Greece (2015). Particularly, I examine the European Commission's 'Economic Adjustment Programmes' for Greece in 2010, again for Greece in 2012, for Ireland in 2011 and for Portugal in 2011 (European Commission 2010b; European Commission 2011a; European Commission 2011b; European Commission 2012a). I set them in dialogue with prominent critics of austerity (Krugman 2012b; Shambaugh 2012; Blyth 2015). Advocates of austerity argue that it must be understood as a set of economic policies designed to restore investor confidence and overall growth. By contrast, my argument uncovers the aneconomic character of austerity as a phenomenon based on a moral economy. The first part of this moral economy is a methodological nationalism, constituting the European real economy along lines demarcated by banking portfolio demands. It therefore reinforces the banking sector's split of Europe's real economy into a 'periphery' as opposed to a 'core.' Building on this differentiation, austerity creates a set of national economies competing to achieve disinflation through export maximization at each others' expense (Lucarelli 2011).

Beyond such neoliberal reinforcements of competitiveness, however, I argue that austerity constitutes a more far-reaching transposition. Its starting point is the country-fundamental transposition discussed above as its demands are transmitted to the European real economy through the liquidity-solvency conversion. However, country economies are presupposed in the country-fundamental transposition. In the austerity transposition, by contrast, they are the result.

The central syntagmatic element of the latter, the nationally given character of economic activity assumed in European accounting and austere competitiveness, is thus far from given (Eurostat 2013c: 25-27; Cohen 2012). Rather, it is the result of the paradigmatic conversion of European real economic subcircuits, first, to supposedly given national economies. These are subjected, second, to the neoliberal demands of anti-inflationary competitiveness.

Yet, neither of these two aspects exhausts the description of austerity, however. In the third section of this chapter, I introduce the argument that austerity is at its core based upon the escalation of banking sector demands to a destructive moral economy of contraction. In this, it is neither a phenomenon of personal fanaticism (Varoufakis and Lambert 2015), nor of German hegemony in Europe (Galbraith et al 2014), nor even primarily of class restoration in the context of neoliberalism (Milios 2015; Blyth 2015: 155-160; Zizek 2015). Rather, the moral economy of austerity rests on a third conversion. Here, the European subcircuits constituted as neoliberal competitive national economies by the first two conversions are overdetermined as moral aberrations from virtue. The economic benchmarking contained in the country-fundamental transposition as described by chapter two thus becomes a moral benchmarking.

The fourth, fifth, and sixth sections of this chapter therefore go beyond the critique of methodological and actuarial nationalism (which I will reprise in the case studies of chapters four, five, and six) and offer a genealogical critique of austerity's third and foundational conversion. It has been argued that austerity is being exported to the European periphery because it is in Germany's economic or political interest (Lucarelli 2011; Lane 2012: 56; Heise 2012: 48; Galbraith et al. 2014). Yet what emerges in this genealogy is that austerity is not a German nationalist policy: "the doer' is merely a fiction added to the deed" (Nietzsche 1989: 45). Austerity *is* Germany, which is to say, austerity posits Germany as virtuous benchmark,

constituting and reconstituting anything it does in the context of the so-called Eurozone crisis in an endless renewal of its moral projection of virtue. Much like the country-fundamental transposition constitutes 'core' and 'periphery,' the austerity transposition constitutes real economies as moral benchmarks and aberrations benchmarked not so much according to output but according to virtue. Thus, while the former is predicated upon the stability necessary to uphold flow-stock conversions, austere economies are engaged in competitive economic self-destruction. It is necessary to go beyond the arguments cited by advocates and critics of austerity, namely growth, market confidence, and stability, as these arguments are themselves the result of an already transposed syntagma – the Eurozone as a moral economic field – dissimulating itself. What is needed is rather the uncovering of this syntagma's paradigmatic origin: "we need a critique of [economic] values, the value of these values themselves must first be called into question" (*ibid*: 20).

I therefore show in this chapter that austerity is constituted by a specific genealogy reaching from the Weimar Republic through the Bonn Republic to the Berlin Republic and European Monetary Union. Yet, it is nevertheless not identical with these incarnations, though all three contribute to its contemporary form. To be sure, the history of austerity through the three Republics constitutes a trajectory which informs its contemporary incarnation, and to this extent, austerity has undeniably German characteristics (Porter 2015). By the same token, however, I maintain that austerity retroactively constitutes the German Republics as much as they in turn constitute its empirical historical trajectory: "whatever exists, having somehow come into being, is again and again reinterpreted to new ends, taken over, transformed and redirected by some power superior to it" (Nietzsche 1989: 77). This power is the paradigmatic conversion by which austerity reconstitutes the syntagma 'Germany' as the European moral benchmark, converting its

economic benchmark status into a moral one and, as I will discuss in chapter four, its European and global real economic structure into a national one.

The paradigmatic conversion from political to moral economy at the heart of the austere transposition results in a European machinery of moral righteousness and judgment. To show why, section four begins in the Weimar Republic. It situates its origin in the bourgeois reaction to the 1923 hyperinflation. In this regard, I explicitly do not regard hyperinflation as a purely monetary phenomenon. Nor do I attribute the resulting 'panic' to a 'German psyche' (Widdig 2001: 7; Jung 2014). Nevertheless, hyperinflation was interpreted, as I show here, as a breakdown of bourgeois morality *tout court*, of work ethic, moral values, and value in general. Deflation thus became more than restoration: it restored value as such, turning German morality back on its bourgeois, and later fascist, feet.

Herein lies the origin of the escalation of the neoliberal country-fundamental transposition to the moral economic machinery of austere contraction. For the former, real economies compete for fiscal sustainability, which is to say, market liquidity. This is predicated upon upholding the flow-stock conversion under conditions of the liquidity-solvency conversion. In the austerity transposition, the syntagmatic element of fiscal solvency is in turn morally overdetermined such that the Eurozone as a field of differentiated banking sector accumulation of interest gives way to the Eurozone as a morally differentiated field of virtue and condemnation. The latter is predicated, through its Weimar Republic genealogy, on deflation, which means that the syntagmatic element of stability is converted to contraction. Unlike the American and English varieties of austerity, therefore, the German genealogy of contemporary Eurozone austerity predicated the supposedly national economies it creates neither primarily upon supply-side monetarism nor primarily upon anti-inflationary stability, but on morally overdetermined

contraction as such (Blyth 2015: 176-177).

Section five shows that this was reinforced by a simplistic conflation of the 1948 *Wirtschaftswunder* (widely attributed to a currency reform) with the foundation of the German central bank, the Bundesbank in 1957. The Bonn Republic, at its core, explicitly understood itself against a civilizational breakdown, the Nazi period. The so-called *Schlussstrich* approach with which it did so, however – “the mindset that it was time to draw a line marking the end of the Nazi past” (Wildt 2009: 375) – allowed the Bonn Republic to tap into the pre-war morality of bourgeois purchasing power as it had appeared in the reaction to the 1923 hyperinflation to provide the core of its economic consensus. To be sure, this did not result in unrestrained austerity as inflicted upon the European periphery now because it remained embedded into the West German social consensus. Nevertheless, it constituted elements of austerity *avant la lettre*.

In the context of the so-called Eurozone crisis, austerity lost its specifically German character and became a European phenomenon. As I show in the sixth section of this chapter, the country-fundamental transposition thereby came to be overdetermined by austerity's return to the excessive moral economy of the 1923/1924 hyperdeflation from which it emerged. As austerity was disembedded from the Bonn Republic's social consensus and became the core principle of entire 'national' economies in the Eurozone, it became an excessive machinery of economic and political contraction on a European scale, constituting the 'periphery' and the 'core' alike in its endless self-reinforcing movement. Its contemporary incarnation does not aim to restore growth and is indeed not predicated upon growth at all. Its effects are deliberately destructive. In the final section of this chapter, I conclude that austerity rather carves out sections of the European real economy, constituting them as national economies designed to maximize exports at each others' expense; it constitutes them as purely debt-servicing economies; and it subjects them to

an endlessly destructive, excessive moral economy of pure contraction.

### 3.2 Beyond growth and confidence

Ostensibly, austerity policies aim to restore growth. Each time the European Commission has 'recommended' austerity measures to one of the countries mired on what the conventional narrative refers to as 'crisis,' economic growth has been posited as the ultimate goal since only growth can credibly sustain the flow-stock conversion in the representational sovereign debt perspective (Eaton 1993: 166-169). It goes hand in hand with what ECB president Draghi had called a 'confidence channel,' that is to say, with maintaining the liquidity-solvency conversion (Blankenburg et al. 2013: 464).

Austerity theory claims that cuts to social programs restore financial market confidence in countries' abilities to repay their debts (Demopoulos and Yannacopoulos 2012: 2-3). Accordingly, Greece's austerity programme in 2010 stated that its "short-term programme objectives are to restore confidence and maintain financial stability," while its "medium-term programme objective is to improve competitiveness and alter the economy's structure towards a more investment- and export-led growth model" (European Commission 2010b: 15). Two years later, the European Commission doubled down on Greek austerity 'recommendations' (Krugman 2012b): "The Eurogroup is fully aware of the significant efforts already made by the Greek citizens but also underlines that further major efforts by the Greek Society are needed to return the economy to a sustainable growth path" (European Commission 2012a: 6).

Likewise, Portugal was assured in 2011 that "[t]he overarching goals of the Economic Adjustment Programme are to underpin economic growth and macro-financial stability and to restore financial market confidence" (European Commission 2011a: 18). In Ireland in the same year, a nod to the 'doom loop' between banks and sovereigns was added (Baldwin and Giavazza

2015). Nevertheless, the onus of reform was still placed on the sovereign: “The key objective of the programme is to restore financial market confidence in the Irish economy's banking sector and the sovereign. Breaking the pernicious feedback loops between the fiscal and financial crises should enable the economy to return to sustainable growth” (European Commission 2011b: 21). Finally, austerity carried the day even when not directly prescribed in the context of rescue packages, as in Spain in 2014, which “has already adopted a far-reaching program of reforms, structurally changing the economy through an unprecedented process of adjustment and correction of external, fiscal and financial imbalances, therefore contributing to the G20's objectives of sustainable and balanced growth” (G20 2014: 2).

There are significant commonalities between these 'recommendations.' Growth was to be achieved in each case by a firm focus on supply-side measures to strengthen exports. Besides Greece, where export-led growth is explicitly noted above as a major target, Portugal and Ireland were likewise expected to recover through growth. In Ireland's case, this seemed obvious to the Commission as its economy was “[d]riven by exports” in the run-up to the so-called crisis, such that “[e]xport growth should continue to lead the recovery” (European Commission 2011b: 21-22). Portugal, too, was expected to “contribute to a strengthening of the external balance” through “[s]tructural reforms and subdued domestic demand” (European Commission 2011a: 19).

Thus, the first element of austerity is a methodological nationalism, where “the practice of the argument or the research presupposes that the unit of analysis is the national society or the national state or the combination of both” (Beck and Sznajder 2006: 3). In austerity 'recommendations', each country is posited as a national economy whose growth strategy is purely national, focusing on lowering costs to become more competitive and on emphasizing

exports (Lucarelli 2011: 213). It is not surprising that such a strategy, uniformly applied to all peripheral countries, leads to a situation where every country involved merely attempts to export while attempting to minimize as far as possible any corresponding imports (Heise 2012: 51). The European character of austerity – i.e., that all peripheral countries were told to engage in export maximization and import minimization – did enter the considerations of the Commission, but only implicitly, and no changes resulted from it. “Risks to the projections,” said the Autumn 2012 review of Portugal’s progress *in rerum* austerity “could come from a deteriorating outlook in the euro area which could weigh on export dynamics and economic sentiment more generally” (European Commission 2012c: 5). It did not, however, follow up with an acknowledgement that the ‘deteriorating outlook’ was largely engendered by austerity measures (Lucarelli 2011).

Critics of austerity often follow this methodological nationalism. Partly, as will be discussed below, this is because austerity is often, although erroneously, identified as a set of policies imposed by and originating from Germany (Schild 2013; Varoufakis and Lambert 2015). Partly, however, the methodological nationalism of austerity is surreptitiously at work in non-nationalist critiques as well. Here, the Eurozone is often described as a competitiveness-based Northern European model of capitalism opposed, within a common currency, to a credit- and consumption-based Southern European one (Streeck 2015). To be sure, it is claimed that no ranking is intended by this (Hancké et al. 2007: 13-14). Nevertheless, the methodological nationalism contained in this argument contributes at least indirectly to austerity, if only by endorsing the conflict supposedly pervading the Eurozone and wholeheartedly accepted by the advocates of austerity (Schäuble 2011; Krugman 2012b).

Moreover, austerity constitutes parts of the European economy as so many supposedly national economies since this is demanded by the twofold function of countries as fundamentals

discussed in the previous chapter of this study, that is to say, as producers of tier-1 assets (intra-market hedges) and as bailout lenders of last fiscal resort (extra-market hedges). In orthodox economic theory – dubbed 'Frankfurt consensus' because of the ECB's advocacy – fiscal cuts engender growth since they reduce the expected future amount of taxation necessary for eventual debt repayment (Demopoulos and Yannacopoulos 2012: 2; Bastasin 2012: 150). The empirical and theoretical records for this are rather murky (Schiaffino 2013; Blyth 2015: 178-226). The 'Frankfurt consensus' notwithstanding, fiscal contractions have had expansionary effects only under very specific circumstances – after 1945, when Europe's economies had to catch up with their American counterparts which supplied the necessary demand for its allies' expansion (Streeck 2013: 268-269); in the post-1990 Eastern European republics, where galloping inflation and a capitalist shock treatment both seemed to favor deflation and growth (Bastasin 2012: 150); in the United States between 1996 and 2007, where credit bubbles supplied the necessary demand for economic growth despite fiscal contractions (Marazzi 2008).

Yet, such arguments against austerity criticize it on the same terrain as its advocates, accepting that it is a fundamentally economic set of policies whose goal is the restoration of growth. Writing at the height of the so-called Eurozone crisis in 2012, Jay Shambaugh argued that austerity is self-defeating: “attempts at fiscal austerity to relieve the problems due to sovereign stress are slowing growth. Yet without growth...the sovereign debt crisis will persist” (Shambaugh 2012: 159). Likewise, prominent critic Mark Blyth has asserted that austerity reduces growth by cutting demand. Austerity's attempt to achieve growth through cuts “rather spectacularly ignores the fact that for someone to be running an export surplus, someone else must be running a deficit. [...] Someone has to spend so that there is demand for these exports” (Blyth 2015: 140).

From a macroeconomic perspective, two main lines of critique can be distinguished. In the first, a Keynesian critique, austerity is criticized for focusing exclusively on the supply side of the economy, neglecting the point that an effective demand must be sustained as well for the peripheral European countries to recover (Keynes 1964: 160-161; Krugman 2012b). A related, Post-Keynesian version argues that, even if austerity were right to focus exclusively on the supply side of the economies subject to it, and even if cutting public budgets were to somehow incentivize private actors to invest, the European investment climate was still subject to exorbitant interest rates, with very little lending to non-banking actors (Shambaugh 2012: 169-175). As critics assert, austerity therefore aims to restore asset price stability at the expense of debtors and their effective demand (Botta 2013: 423).

Against the first of these critiques, advocates of austerity have maintained that economies like Greece were not capable of supplying their own demand for the goods produced by them since these are mostly small-scale nontradable products or products whose demand comes from elsewhere: tourism and shipping (Visvizi 2012: 17-19). Against the second critique, austerity advocates have argued that the European lending freeze, provided – which some doubt – it is empirically present, stems precisely from the unsustainable state of European public finance, and that this must be combated first, thus restoring the 'confidence channel' (Schäuble 2011; ECB 2012). These counter-arguments are in turn countered by the aforementioned critique from a European scope. While it may indeed be possible to restore competitiveness in peripheral countries on a national scale, austerity overshoots this goal by simultaneously forcing all peripheral countries – and indeed the entire Eurozone – into measures cutting demand and yet unable to boost supply (Lucarelli 2011: 213; Heise 2012: 51).

Thus, the assumption that austerity serves the restoration of growth – via restoring investor

confidence – has long been called into question. Much has been said about “the cult of austerity, [...] the belief that budget deficits, not mass unemployment, are the clear and present danger, and that deficit reduction will somehow solve a problem brought on by private sector excess” (Krugman 2012b). Yet, austerity is not irrational, nor is it a psychological aberration from a normality, such as a 'panic' (De Grauwe and Ji 2013). I maintain that austerity does make sense, but not as a set of economic policies. Critics taking it as such overlook that austerity constitutes national economies primarily as *moral* economies, as economies with moral duties.

To be sure, part of their constitution is technical: following the country-fundamental transposition discussed in chapter two, supposedly national economies are constituted as aberrations from a virtuous national benchmark of export growth and production. Here, I go beyond the argument often given that the Eurozone forces two different economic models to conform to the austere standards of the Northern one (Streeck 2015). Rather, austerity constitutes supposedly national economies, forces them to compete to fulfill their benchmarked economic duties as fundamentals, and, as a third step, constitutes them along a morally overdetermined trajectory. The main argument for austerity is not economic at all, but rather hearkens back to moral economies of debt and credit (Lazzarato 2012; Berend 2013). States and societies, it claims, have lived beyond their means and now have to face punishment (Schäuble 2011).

In this critique lies the distinction between European and non-European austerity. The non-European version of austerity follows a somewhat different, although no less moral, trajectory. As Blyth argues, its origin in American pre-Great Depression 'liquidationism', has as its goal that "rotteness [will be purged] out of the system. ... People will ... live a more moral life ... and enterprising people will pick up the wrecks from less competent people" (Andrew Mellon, cited in Blyth 2015: 119). Yet, liquidationist austerity had at its core an assumption of a healthy

productive economy to which it would return. The Great Depression was thus initially interpreted as a great cleansing of the U.S. economy, cutting excess fat, and roughly comparable to the 'lean and mean' economy posited as its goal by neoliberal ideology and its financialized practice (Ho 2009). By contrast, I argue that European austerity does not have the same vision at its core. Rather, it is based on a moral economy of condemnation in which market movements draining the European periphery of liquidity are taken to be the result of national moral characteristics, particularly laziness and/or governmental profligacy.

Particularly in Greece's case, this sentiment has come to be thinly veiled. Wolfgang Schäuble, the German finance minister, in particular has repeatedly defended the rigid German course to impose austerity upon Greece with this argument: "excessive state spending has led to unsustainable levels of debt and deficits that now threaten [the Eurozone's] economic welfare. [...] For too long we have forsaken long-term gains for short-term gratification with the result we all know" (Schäuble 2011). He has been supported, throughout the process, by his colleagues from Finland, Alexander Stubb, and the Netherlands, Jeroen Dijsselbloem (Traynor 2015). The stance of the three indeed faithfully represents German supply-side interests. On 13 June 2015, Ulrich Grillo, president of the Federation of German industries, wrote that a hard line against Greece is now necessary "because no further credit will be given to countries lacking competitiveness and openness. After almost five decades of living beyond their means without restraint, the savers have now decided to continue financing only those companies and governments which guarantee a reasonable and sustainable use of their borrowed means"<sup>10</sup> (Grillo 2014). These so-called 'savers' – the European banking circuitry, represented here by the

---

10 Author's translation of: "...weil kein Kredit mehr für fehlende Wettbewerbsfähigkeit und Offenheit gewährt wird. Nach fast fünf Jahrzehnten ungehemmten Lebens auf Pump haben die Spärer beschlossen, nur noch jene Unternehmen und Regierungen zu finanzieren, die einen vernünftigen und nachhaltigen Umgang mit den geborgten Mitteln sicherstellen."

European Commission, the ECB, and the IMF – decide what is 'sustainable' and 'reasonable', as became evident in the recent stand-off between Greece and the 'Institutions' about what kind and amount of primary surplus to achieve. Austerity is a political economy based on political decisions, interpretations, and negotiations. In other words, one must look beyond growth and confidence for the real economy of austerity.

### 3.3 'Madame Non'?

If austerity serves neither the restoration of growth nor restores investor confidence, what is its purpose? Many observers noting the stubborn insistence on the part of the German government in particular to implement what more and more economists recognize as economically senseless policies have asked this question (Elson 2013). For some, austerity represents an increasingly open German hegemony within the Eurozone (Galbraith et al. 2014: 41–42). Others add that this hegemonic tendency is by no means new, but has rather been pervasive in the European institutional setup since the inception of the Euro (Cohen 2012: 693). Indeed, as early as 1992, some have argued that Germany's institutional trajectory was poised to become the norm of European institutional path dependencies:

the all-inclusive political and ideological fixation on the reproduction of world-market competitiveness domestically as means of achieving legitimization and efficiency and externally as a material basis for securing power and dominance – all these are set up, more or less unmediated, as criteria for overarching European political architectures and structures generally projecting national institutions and procedures on to the European level (Schlupp 1992: 313).

Even when they do not share the methodological presuppositions of this position, some have argued that both the Eurozone and its rules' reinforcement in the context of its so-called crisis (i.e., austerity) are in the interests and to a significant extent at the behest of Germany (Schild 2013). Methodologically, this in turn presupposes that Germany (the country) is a discernible entity with identifiable interests (Frieden 2002). This is a methodologically nationalist

perspective. As a national entity with identifiable and coherent interests, Germany is in a bargaining position at the European table, where “the shape of multilateralism that [it] espouses depends primarily upon the potential or actual implications of the form of multilateralism on the ability of that country to sustain the comparative institutional advantages provided by its specific variety of capitalism” (Fioretos 2001: 215).

In the context of the Eurozone and this discussion of austerity, the most important part of what is supposedly Germany's comparative institutional advantage lies in its export-oriented economy (Sinn 2006; Eurostat 2012). Austerity's neoliberal conversions, the constitution of supposedly national, competitively export-oriented economies, fits quite well into the European institutional setup in which the country-fundamental transposition operates. This institutional setup is firmly rooted in Germany's core economic tenets: a strict orientation towards monetary stability, safeguarded by one of the most rigidly independent central banks of the world; focus on supply-side and export-oriented growth; focus on financial stability; and focus on tight fiscal rules (Quaglia 2008; Olgı 2012: 17-21; Mair 2013).

All of these can be traced back to German interests one way or another. The German export-oriented industry in particular benefits from a rigidly stability-oriented monetary course by the removal of European currency risk and the expansion of trade that comes with it (Lane 2006). The accumulation of export surpluses thereby achieved simultaneously maintains Germany's profitable capital account deficits (Sinn 2006). Hence, it can maintain its status as European financial center (Manganelli and Wolswijk 2009: 215-216; Lucarelli 2011: 217-219). This is partly the result of German negotiation prowess. In the absence of a European fiscal transfer union, “every rescue must be negotiated, with terms set largely by the creditors. In practice, that means Germany, European Monetary Union's paymaster; and the German, as we know, can be

very stern about economic policy” (Cohen 2012: 696).<sup>11</sup>

More evidence supports this position from an institutional perspective. The influence of the German member of the ECB's executive board is frequently discussed in the context of the latter's often rigid stances (Quaglia 2008: 48-51). This may be true in some respects – former Bundesbank president Axel Weber's much-publicized resistance to SMP has already been discussed in the previous chapter of this study. Immediately after supporting SMP in the ECB's governing council, Weber claimed “that the purchase of sovereign bonds would 'entail considerable stability policy risks'” (cited in Bastasin 2012: 215). It is clear that the Bundesbank and its ideological foundation have significant influence within the ECB (Galbraith 2006): “Within the family of European central banks, the Bundesbank has quite clearly been the dominant force,” foremost “in ideological terms, being the strongest proponent of a pure monetarism” (Leaman 2001: 227). To be sure, “[m]embers of the ECB Governing Council are not supposed to act as representatives of national central banks, and therefore the president of the Bundesbank does not act on a mandate from the Bundesbank when taking part in decisions concerning the monetary and exchange-rate policies of the Eurozone” (Quaglia 2008: 54). Nevertheless, Bundesbank policies, ECB policies, and European rescue package conditionalities are closely connected in a common project (Quaglia 2008: 125).

Accordingly, the transition from Bundesbank to ECB could have been interpreted as a more or less seamless transposition of the German history of monetary stability to a broader European application in which austerity came to be embedded into a generalized set of monetary, fiscal, and ultimately moral principles. The German Constitution, as the Bundesbank pointed out repeatedly during the transition to European Monetary Union, “permits the transfer of monetary

---

11 This negotiation strength, in turn, rests upon the supposed success – more so than the sheer size – of the German austere economy after 2009. As such, it will be the topic of chapter four.

policy tasks solely to an independent European Central Bank that is committed to safeguarding price stability as its primary goals,” accompanied by a prohibition of direct lending to member states (Deutsche Bundesbank 1998: 21-22).

This does not, however, indicate that austerity is exclusively German. To be sure, Bundesbank officials have repeatedly supported austerity policies and, sometimes quite openly, criticized the decisions of the ECB's executive board that they perceived to be opposed to austere reforms (Bastasin 2012: 215). After Axel Weber's aforementioned protest against SMP, his successor Jens Weidmann made his reservations against OMT public: “The announced interventions carry the additional danger that the central bank may ultimately redistribute considerable risks among various countries' taxpayers” (Steen 2012). As far as the Bundesbank is concerned, it appears that a clear privileging of monetary stability and fiscal retrenchment is at the core of the German heritage continued in the European macroeconomic framework (Lucarelli 2011: 210). Such stances, particularly derived from its Bundesbank heritage, form a widely recognized, crucial element of Germany's supposedly national variety of capitalism (Franzese 2001: 109-111). Nevertheless, and the twitter hashtag #ThisIsACoup notwithstanding, the conflictual marathon summit of the Eurogroup on July 12 and 13, 2015, which almost ended with a Grexit, showed that austerity is not exclusively German. To be sure, the resulting document reflects in many ways the German intransigent position with regard to a third package's conditionality, especially since it includes the rejection of nominal haircuts so dear to Germany (Euro Summit 2015: 6; Varoufakis and Lambert 2015). Yet, in the course of the negotiations, Finland's and Latvia's intransigence proved decisive – in both cases, supported by a nationalist assertion of having successfully implemented austerity (Traynor 2015).

If not exclusively German, austerity nevertheless seems to at least be identifiable as a

German-led European form of neoliberalism (Blyth 2015: 155-160). Since austerity benefits creditors over debtors – particularly creditors on sovereign debt markets over the debtor countries subject to their liquidity-solvency conversion – it has been identified as a cornerstone of the Eurozone and as a neoliberal project of “competitive disinflation” (Lucarelli 2011: 210). Indeed, the safeguarding of creditor interests, which is at the heart of austerity's constitution of supposedly national economies, can also be found in the foundational aspects of the Eurozone's institutional framework, particularly the prohibition of lending among member states (ECB 2010a; Schäuble 2011; Steen 2012).

It does not seem to be accidental, then, that austerity appears as a form of neoliberalism originating from Germany and enforced by the very German Troika of ECB, European Commission, and IMF (Arestis and Sawyer 2013). The ECB in particular is interpreted, in this view, as a direct successor to the rigidly monetarist Bundesbank (Quaglia 2008: 75). The incredulous European response to the Greek referendum of 2015 seems to be as much a case in point as the abortion of its ill-fated predecessor in 2011 (Yardley 2015b). If austerity is a form of rule of ostensibly technical facticities to which democratic sovereigns – debtor governments – are subject because no alternative is 'feasible' or 'reasonable', then austerity must be regarded as a form of neoliberalism (Mirowski 2013).

### 3.4 1923/1924: Austerity in Weimar

Nevertheless, austerity in the context of the so-called Eurozone crisis is not sufficiently explained by its proximity to neoliberalism, nor by simplistic references to Germany. A more specific genealogy is required. The argument in this and the following sections is that this genealogy is the result of the benchmark position of 'Germany' (the fundamental) in the context of the so-called Eurozone crisis, rather than engendering it. The narrative often presented is that

the experience of the 1923 hyperinflation has left Germans with a fear which has continued until today: "According to a poll by the Allensbach opinion research firm, Germans fear inflation even more than life-threatening diseases like cancer" (Jung 2014). This fear came to be enshrined in the Bonn and Berlin Republics' institutional path dependency:

Politicians and officials of the Deutsche Bundesbank [...] have been legitimizing their restrictive monetary policies by pointing to the German past. They argue that the great inflation following World War I and, to a lesser degree, World War II left such a traumatic imprint on the German collective psyche that tight control of inflationary tendencies would always find broad popular support (Widdig 2001: 7).

Such 'collective psyches' are, on the one hand, easily identifiable as ideological maneuvers by which German officials justify neoliberal policies in their own country and the European Single Market (Schlupp 1992; Holman 2004). The animistic character of this particular ideological formation is nevertheless important. It allows German officials, first, to neglect the institutional differences of the three Republics when claiming 1923/1924 and 1948/1957 as decisive moments from which to interpret 1999/2012 (Blyth 2015: 56-57). Second, therefore, ascriptions to collective psyches are themselves an element within the austere transposition. They allow the designation of moral superiority to a people, thereby constituting its supposedly national economy as the exemplification of moral virtue or vice. (The same is achieved, as the above quotation did, by lumping together the Troika and the Eurosystem, Germany and the United States to an amorphous entity called 'the savers'.) Animistic overdeterminations of this kind are key to contemporary Eurozone austerity. They convert the methodologically nationalist conversions of the European real economy's subcircuits to competing neoliberal 'national' economies into a field distinguishing morally righteous and morally pernicious economies.

'Germany' is an element within the European austerity transposition (Lucarelli 2011). Here, I differ from a majority even of the critics of contemporary austerity. This begins with the 1923

hyperinflation itself, which must be seen as a European rather than German phenomenon. As Thomas Piketty notes, “the shocks of the period 1914-1945 disrupted the monetary certitudes of the prewar world, not least because the inflationary process unleashed by war has never really ended” in European countries (Piketty 2014: 107). It should likewise not be forgotten that these pre-war monetary certainties (and hence the shock value of their disruption) rested upon a vast degree of inequality allowing almost complete ignorance of the unemployment induced by monetary stability in the 19th Century (Polanyi 2001: 3-20). Nevertheless, its specific magnitude makes the 1923 hyperinflation an archetypal phenomenon. It engendered a conversion of the syntagmatic element of monetary stability from its pre-war self-evidence to a moral overdetermination as a guarantor not only of stability, but of righteousness. It thus laid the foundation for a transformation of a moral economy of stable accumulation to a moral economy of righteousness where more is at stake than merely the preservation of class relations.

The most important of its effects is the equation of all inflation (fiscal and monetary) with hyperinflation, and the subsequent sanctification of deflation as a value in itself. The German currency had already lost a significant amount of its purchasing power in World War I (Davis 2000: 238-239). If one Reichsmark had exchanged for one US-Dollar in 1913, the same US-Dollar could purchase 1.77 Reichsmark in November 1918 after the war effort had largely been financed by inflation (Widdig 2001: 40-41). Here, Germans encountered phenomena they would encounter again the hyperinflation: shortages for those unwilling or unable to participate in black markets, shameless profiteering, as well as an erosion of faith in the public order (Davis 2000: 191-204). By November 1920, when the reintegration of soldiers into civil life coincided with added expenses for reparations, one US-Dollar exchanged for 18.39 Reichsmark, an inflation of more than a factor of ten in those two years (Webb 1989: 104-109). Subsequently, inflation

exploded even further: a US-Dollar exchanged for 62.6 Reichsmark in November 1921 (340 per cent inflation relative to the previous year), for 1,711.1 Reichsmark in November 1922 (2,733 per cent inflation), and ultimately for a merely nominal 522 billion Reichsmark in November 1923 (Büttner 2008: 169).

By the end of 1922, circulation had become boundless and endless, an “erotic ecstasy,” a “carnival” (Widdig 2001: 9-10). This was the result of general political unrest and instability in the early Weimar Republic: reparations, the French occupation of the Ruhr valley with subsequent unrest, Communist movements in Thuringia and the Rhine region, and the beer hall putsch (Büttner 2008: 168-171). Yet, the bourgeois sense of hyperinflation was different. In it, “everything was becoming possible” for some (Feldman 1993: 699): “For a small number of people, inflation meant the opportunity to amass enormous wealth and economic power in just a few years” (Widdig 2001: 134).

For others, established values were turned on their heads (Guttman and Meehan 1975: 176-177). Working for pay seemed pointless since money and its purchasing power disappeared as quickly as it was paid out: “A housewife might need a bigger basket to carry her money to the store than she needed to bring her groceries home” (Webb 1989: 3). New forms of social unrest sprang up: rentiers and traditional middle classes lost their income and reserves, yet often refused to accept a public assistance widely perceived as shameful (Egighian 1993). Academics, white-collar workers, landlords, the self-employed, and so forth, all found themselves impoverished. Their impoverishment seemed to come out of nowhere, despite their flawless obedience to bourgeois values of hard work, thrift, and frugality (Büttner 2008: 173-175). Moreover, hyperinflation seemed to benefit precisely those adhering to the opposite of these values. As author Stefan Zweig wrote in his 1987 autobiography: “Standards and values disappeared during

this melting and evaporation of money; there was but one merit: to be clever, shrewd, unscrupulous, and to mount the racing horse instead of be[ing] trampled by it" (cited in Widdig 2001: 49). It is not surprising, then, that bourgeois values such as work and thrift came to be invested with a special virulence when contrasted with the seeming carnival of speculation surrounding them.

Insecurities mounted, although not always to the detriment of those involved. During the hyperinflation, as monetary value crumbled and rapid acquisitions of tangible goods became possible (*Flucht in die Sachwerte*, flight to tangible goods), entrepreneurs like Hugo Stinnes amassed tremendous fortunes, only to see them deteriorate quickly (Widdig 2001: 91). Nevertheless, the majority of the effects were daunting. Monetary measurements seemed no longer to reflect productive value in the boundless multiplication of zeroes:

The new rich were not producers, or creators of industries, but mainly speculators clever enough to recognize and exploit the possibilities of the Inflation and to buy up enterprises created by others through ingenious Stock-Exchange operations, gambling on the exchange rate of the mark (Guttman and Meehan 1975: 178).

Unemployment in the Weimar Republic grew to 70 per cent in October 1923. As farmers refused to exchange goods for worthless money, military had to prevent plunder (Geyer 1990). Municipalities printed their own money (*Notgeld*) (Webb 1989: 14-15).

It seemed as if all public and private morality had evaporated (Feldman 1993: 527-530; Widdig 2001: 22). It was replaced, it seemed, with an unrestrained, spectacular enjoyment; Modern, unsustainable, frivolous – and female: "One frequently found image in accounts of the time is the figurative expression of the inflation as a *Hexentanz*, 'a witch dance,' or a *Hexensabbat*, a 'witches Sabbath'" (Widdig 2001: 203). Spending itself became suspicious to adherents of a bourgeois morality seemingly under siege. A witness recalls:

When I grew up we were taught to save money and not to throw it away. It was a rather

austere principle. But in the worst days of the Inflation this principle was turned upside down. We knew that to hold on to money was the worst thing we could do. So this allowed us, with a very good conscience, to spend whatever we had available ('C.S.', cited in Guttman and Meehan 1975: 176-177).

Here, the first animistic overdetermination occurs, the equation of monetary order, with moral and political order as such: political stability, monetary stability, stable public and private finances all became one. "Demands, promises, laws, agreements – words in Weimar Germany became as worthless as the marks that filled the wheelbarrows. Only the metallic backing of police pistols and French bayonets could restore their real purchasing power" (Webb 1989: 64). This animistic overdetermination created an ideological consensus in which not only the institutional details, but also the bourgeois complicity in hyperinflation disappeared under an overarching notion of a collective wounded psyche.

In 1924, a new government terminated the old currency (Reichsmark) and inaugurated a new one (Rentenmark). To witnesses, this contraction of the monetary supply was miraculous. As devastating as the trauma of hyperinflation had been, as much deflation looked and, more importantly, felt like restorative wizardry:

I remember so well the moment when a hundred marks were a hundred marks. We had it in a little iron box and you cannot imagine what it was like. It was like a miracle – that we could actually save and put something by ('Mrs Barten,' cited in Guttman and Meehan 1975: 213).

Moreover, restoring the purchasing power of money seemed akin to a sudden return of value, and with it to the stability of a moral universe, to public life (Webb 1989: 64).

This is the origin of the second animistic overdetermination. Here, the Reichsbank, responsible for the restoration of monetary value came to be invested with fetishistic powers. It not only uprooted gamblers and speculators as it curbed hyperinflation (Büttner 2008: 179-181). Moreover, the Reichsbank's restoration of monetary order was simultaneously a restoration of

political stability by decidedly undemocratic means anticipating austerity's contemporary implementation. Hjalmar Schacht's Reichsbank presidency in 1923, replacing the *Reichsmark* currency with the *Rentenmark* currency at an exchange rate of 4.2 billion to one, paved the way for Schacht's legitimacy to serve the Nazi government (Guttman and Meehan 1975: 209): “Schacht forms the missing link between Stresemann's strategy of economic revisionism” in the 1923-1924 Ruhr crisis “and the unilateral militarist aggression that replaced it after 1933” (Tooze 2006: 15). Yet, Schacht's own oscillation between *Vernunftrepublikanismus* and Nazi allegiance is less important here than the foundations upon which it rested and which have been a foundation of success for Hitler and Adenauer alike. After Franklin Roosevelt's inauguration and the U.S. abandonment of the gold standard in 1933, and “[p]andering to popular sentiment, Hitler and Schacht made the defense of the official gold value of the Reichsmark into a symbol of the new regime's reliability and trustworthiness” (ibid: 41). Unlike the Bonn Republic, the Nazis were subsequently able to abandon this justification as their regime came to be predicated upon a force not quite as reliant on persuasion as that of the Bonn Republic.

In the 1923 episode and its aftermath, therefore, the moral overdetermination of inflation as a breakdown of moral virtue and political order as such resulted in a corresponding moral overdetermination of deflation, as a restoration of order as such. In the miraculous wizardry of deflation, work and value suddenly manifested again as purchasing power was restored. One day, shop fronts were empty and money was carried in wheelbarrows; the next day, purchasing power reappeared and windows were filled again (Giersch et al. 1992: 39). How would the orchestrators of such wizardry not be infinitely trustworthy? Here, deflation's magical appearance as an incomprehensible restoration of civil/bourgeois society (*bürgerliche Gesellschaft*) appeared for the first time.

Subsequently, the expertise attributed to Reichsbank and Bundesbank executives remained of a special kind, approaching reverence. Once more, the animistic overdetermination of hyperinflation and deflation made this reverence transferrable across all specificities which distinguish Reichsbank and Bundesbank as well as Weimar and Bonn Republic. It goes beyond the fact that Bundesbank executives are often highly respected in technical terms, such as academic economic credentials (Quaglia 2008: 52). The public personas of Bundesbank executives are more often likened to princes or kings, residing above the trenches of day-to-day politics, benevolently steering a scientifically correct course (Leaman 2001: 245-248).

The same held for Reichsbank executives (Flink 1969: 118-119). Hjalmar Schacht, Reichsbank president in 1923-1930 and 1933-1939 and “widely credited with the stabilization of the Reichsmark in 1924,” had been a member of several banks’ executive committees before becoming Reichsbank president (Tooze 2006: 15). This had evidently been with good success: “exceptional ability, vision and enterprise” were “shown by Dr. Schacht,” responsible “for the steady recovery of the German banking system from the evils and disasters into which it had been plunged” (Willis in Flink 1969: IX). Such pronouncements are not just panegyrics, but symptoms. Hans Luther’s credentials for his Reichsbank presidency (1930-1933) were questioned because he had also been Reich Chancellor from 1925 to 1926, which jeopardized, to some, his apolitical status (Luther 1964: 36-38).

These instances asserted the Reichsbank’s technocratic above-the-fray unpolitical status much the same way the Bundesbank asserted its similar status on several occasions in the Bonn and Berlin Republics, paving the way for austerity’s antidemocratic lineage. For example, in May 2012, Bundesbank president Jens Weidmann was “doubling down” on austerity in the name of monetary credibility while subordinating its social impact explicitly to technocratic correctness

(Krugman 2012a). The impact of monetary stability policies on the periphery “must not prevent monetary policy makers taking the necessary action” (Weidmann as cited by Krugman 2012a). It was not tangible manifestations of expertise which gave rise to the nimbus of Reichsbank and Bundesbank executives. Rather, deflation's animistic overdetermination as a restoration of order in general engendered a special status to the banks' technocratic governance.

The central bank's special status is only a part, albeit a central one, of the effects of the 1923 hyperinflation upon 'Germany.' The core fabric of the polity itself is in many ways a response to the bourgeois perception of hyperinflation as a total breakdown of social order (Widdig 2001: 23). This goes beyond the folk economic notion that monetary stability permits, above all, the faithful representation of value (de Goede 2005: XV). In the German case, the notion of 'value' takes on a morally overdetermined form. After hyperinflation, it had to be ensured that the core of the social fabric of any subsequent German polity would be the hard-working, honest, bourgeois father of the household; not that of frivolous gamblers (Müller-Armack 1960). Moreover, this gained further urgency after World War II since the social degradation which resulted in the Nazi regime was at least partly traced back to hyperinflation. Thus, it seemed to many after 1945 that the Weimar bourgeoisie, “under the impact of their seemingly undeserved distress” in hyperinflation, came to reject the Weimar Republic and embrace the Nazi regime which “enabled them to preserve their white-collar mentality while expressing hostility towards the ugly face of capitalism, especially when propaganda vested it with a Jewish mask.” Not least, it allowed them to do so while “remain[ing] essentially bourgeois, hat[ing] being proletarians in the economic sense and disdain[ing] socialism” (Guttman and Meehan 1975: 235).

The social order restored by deflation is thus not only that of a reactionary political economy, a restoration of pre-World War I inequality under the Nazi regime (Guttman and

Meehan 1993: 233-237). It was opposed not to inflation or even hyperinflation as economic phenomena, but as moral phenomena and, in turn, as total political, social, and moral chaos. By introducing the element of moral righteousness so forcefully into the German moral economy, the act of saving – and hence having the means to save – came to be the decisive sign of moral virtue. Those who were either unable or unwilling to save, the poor and the quick-witted speculators alike, came to be regarded as morally depraved (Davis 2000: 238-239). The peculiar conflation of poverty and cunning engendered here, attributing shrewdness to the victim, can be found in the condemnations of lazy and profligate, yet nevertheless cunning *Pleite-Griechen* in the so-called crisis (Ronzheimer and Kalozois 2010). Defending private saving and public deflation thus became morally identical in the affirmation of the sanctity and propriety of order, work, and thrift.

### 3.5 1948/1957: Austerity in Bonn

Weimar-era deflation was seen as a total restoration of order, and its antidemocratic implementation was all the more accepted as the Weimar Republic had not enjoyed widespread acceptance. After 1945, the Nazi empire and hyperinflation came to be lumped together as civilizational breakdowns once again – and once again with relative ease – since the *Schlussstrich* approach allowed the Western Allies and the Adenauer government the build-up of a decidedly bourgeois political economy predicated upon the rejection of an animistic overdetermination of monetary inflation as moral devaluation, and thus deflationary contraction as a sign of moral righteousness. This economy explicitly assimilated Nazi functionaries (Wildt 2009: 371-377). It also had, as I show in this section, few problems accommodating the antidemocratic lineage of monetary virtue.

Indeed, the self-proclaimed institutional path of the Bonn Republic's central bank, the

Bundesbank, leads back across all real institutional differences to the “traumatic imprint on the German collective psyche that tight control of inflationary tendencies would always find broad popular support” (Widdig 2001: 7). Since its 1957 inception, the foremost legitimization of the Bundesbank was its output of monetary stability (Quaglia 2008: 53). “All in all, the first fifty years of the Bundesbank took place in turbulent times. In all this time, this has never changed our fundamental orientation: the needle of our compass had been oriented towards stability throughout these decades”<sup>12</sup> (Böhmler 2007: 7). This aspect of the Bundesbank's legitimacy has since been passed on to the ECB. In 1998, the Bundesbank had firmly insisted on the European Monetary Union as “a community of stability” (Deutsche Bundesbank 1998: 17). This mandate has since officially governed the Eurosystem and the ECB, whose “primary objective [...] is to maintain price stability” (Quaglia 2008: 108).

As was the case in the Weimar Republic, an observer not blinded by methodological nationalism would find sources of the new Republic's economic success in global economic developments, such as U.S. Marshall Plan payments, the Western Allies' refusal to extract as many reparations as the Soviet Union from its occupied zone, and the global boom during the Korean war economy (Van Hook 2004: 197-225). Yet, here as in the Weimar case, animistic overdetermination is predicated at least partly on ignoring such inconvenient truths. Rather, the legitimacy the Bundesbank bequeathed to the ECB is derived from two main sources. It includes a technocratic independence from social developments already seen above, relying on an anthropomorphization of markets “whose 'disappointments' must be sympathized with and whose 'trust' must be gained” (Leaman 2001: 238; cf. Quaglia 2008: 120). Second and more importantly, it is derived from a *post facto* conflation of the German *Wirtschaftswunder*

---

12 Author's translation from German: “Es waren insgesamt also bewegte Zeiten, in denen die Bundesbank in ihren ersten fünfzig Jahren agierte. An der grundsätzlichen Ausrichtung unserer Arbeit hat sich in dieser Zeit jedoch nichts geändert: Unsere Kompassnadel war über all die Jahrzehnte immer auf Stabilität hin ausgerichtet.”

(economic miracle, 1948) with the Bundesbank's monetary watchdog role (1957) in Germany (Garrett 2001: 111-112; Cohen 2012: 691). Political, economic, and monetary stability were inextricably linked in the founding myth of West Germany. It is perhaps archetypal for a German to echo Bernd Widdig's (2001: 3) grandfather, "a good Catholic from the Rhineland," this heartland of rhenish capitalism (Piketty 2014: 144-146), that "next to God, we had to thank then-Chancellor Adenauer for the astounding resurrection of Germany, for the *Wirtschaftswunder*" ('economic miracle') (Widdig 2001: 3). The Bundesbank's legitimacy is situated at the heart of that of the Federal Republic of Germany.

However, the Bundesbank's status alone by no means exhausts the extent to which the moralistic and animistic overdetermination of deflation as a moral virtue is at the heart of the Bonn Republic's social fabric. In the West German founding myth, one finds an exact repetition of the 1924 deflationary myth of personalized heroic intervention, stability wizardry, and restoration of contraction as the centerpiece of public and private morality. Much like Hjalmar Schacht in 1924, the introduction of the *Deutsche Mark* in 1948 gave its principal orchestrator, subsequent economy minister and Chancellor Ludwig Erhard, a mythical legitimacy as *Vater der Mark* ("father of the D-Mark"), whose stability-oriented framework paved the way for the Bundesbank's perennial contraction-oriented policy since 1957 (Marsh 1992: 22-23).

This Bundesbank framework is the framework of the Bonn Republic's political economy: ordoliberalism as a moral economy of austerity *avant la lettre*. This moral economy consists of an enthusiastic rejection of anything resembling inflation, combined with and ultimately rooted in a fundamental moral distrust of spending itself, public and private alike. It has very little to do with economic reality. To be sure, Germany began achieving export surpluses as early as 1952 and has not had an export deficit since (Destatis 2014b). Yet, rebuilding the Federal Republic,

although financed by the Marshall Plan, aided by the absence of large-scale reparations, and eventually spurred by the global Korean boom, remains widely attributed to the moral virtue of work and thrift embodied in the *Trümmerfrauen*, “hard-working, strong, post-war women” who were “stylized as heroes of German reconstruction,” an image “deeply ingrained in German minds” (Damaschke 2014). Here as with the Weimar Republic and, as I will show in chapter four, with regard to the sources of German austere successes in the context of the so-called Eurozone crisis, methodological nationalism obfuscates the economic realities upon which the moral virtue of austerity rests.

In a similar vein, the rejection of inflation served on the surface to restore the proper working of a market economy. In this sense, the Bonn Republic's ordoliberalism has been interpreted as a form of free market liberalism (Blyth 2015: 137-139), where inflation is rejected because it distorts price signals (Dymski 2006: 388). However, what is being restored when the market's proper workings are saved is not identical to simple market fundamentalism, as the German stance has been interpreted to be in the context of the so-called Eurozone crisis and before (Galbraith 2006: 424-432; Lucarelli 2011: 210-211). It goes deeper. Restoring the market meant restoring an entire social order, a political economy whose centerpiece is a moral economy. At the heart of this economy was a notion of rational economic planning, elevated to a moral value in itself and as such jeopardized by the distortion of prices:

If inflation or deflation are brought forth because of an unstable monetary system or monetary policies, this will not only distort the system of prices, falsify accounts and make real economic calculations impossible, but also paralyze individual initiative and willingness to work. Combined, all of this naturally interferes with micro- and macroeconomic achievement (Eucken 1960: 314).<sup>13</sup>

---

13 Author's translation from German: “Wenn infolge des unstabilen Geldsystems oder der Geldpolitik Inflationen oder Deflationen hervorgerufen werden, so werden damit nicht nur das Preisgefüge verzerrt, die Bilanzen verfälscht und eine richtige Wirtschaftsrechnung unmöglich gemacht, sondern auch die wirtschaftliche Initiative und der Leistungswille werden gelähmt, was alles zusammen den einzel- und gesamtwirtschaftlichen Wirkungsgrad natürlich beeinträchtigen muss.”

In this sense, monetary stability restores market rationality and hence public moral order itself. It restores purchasing power not only in the sense of restoring the trust upon which a fiat-monetary economy is based (de Goede 2011). It likewise goes beyond older prescriptions stemming from the German civil code (*Bürgerliches Gesetzbuch*), which subjects most transactions in German civil society to “a duty to perform according to the requirements of good faith, taking customary practice into consideration” (BGB §242). The German terms used here are *Treu* (itself an archaic nominalization of “loyalty”), *Glauben* (“faith”) and *Sitte* (“customs,” “mores”). Such demands of 'good faith' are widely interpreted such that moral norms and values should contain or restrain the political economy of the country.

They are related to, but not identical with the German *Sozialstaat*. To be sure, the German constitution “emphasizes the social embeddedness of property. It requests of the owner that s/he take recourse to the needs of society at large” (Detjen 2009: 100).<sup>14</sup> Likewise, the German *ordo* has included a strong union presence, going as far as *Mitbestimmung*, where parts of a company's board consists of labor representatives influencing operative decisions (Markovits 1986: 80-82; cf. Hall and Soskice 2001: 38-43). Moving on into the Berlin Republic, this has stopped neither neoliberal 'competitiveness' reforms in the 1990s nor the *Hartz* overhaul to be discussed in chapter four. Even before the transition to the Berlin Republic, however, economic competitiveness, predicated upon monetary stability as an existential condition, stood at the heart of the Bonn Republic's ordoliberal proto-austerity (Blyth 2015: 141-143). It is intimately connected, yet not identical, with the rejection of inflation which ensures rational economic planning capabilities to individual households and businesses (Müller-Armack 1952: 460).

Just as inflation as such is morally suspicious – although economically necessary in any

---

<sup>14</sup> Author's translation from German: “Das Grundgesetz ... betont die soziale Bindung des Eigentums. Es verlangt vom Eigentumsinhaber die Berücksichtigung der Belange der Allgemeinheit.”

expanding economy – saving in itself is virtuous in the austere moral economy. In providing individual security, saving as a moral duty is an indispensable component of what allows a household to become a genuine home: “Inflations are one of the worst grievances from a social point of view since they deny humans the ability to provide for themselves and their loved ones” (Eucken 1960: 319).<sup>15</sup> Thus, the economic order becomes an intimate part of people's moral existence: “Making saving possible is better than charitable help or state subsidies” since people must be “capable of helping themselves if necessary” (*ibid*).<sup>16</sup>

German households have never failed to act upon this. Throughout the Bonn Republic, the Germans have had a high propensity to save: personal savings never undercut 12 per cent of household income between 1967 and 1990 (Trading Economics 2014). According to Bundesbank data, Germany's savings rate as a percentage of disposable household income peaked at 10.5 per cent in 2008 and has not since undercut the 2013 value of 9.1 per cent. Between reunification and 2008, the savings rate dropped below 9 per cent only once (8.9 per cent in 2000), reaching its peak at 12.7 per cent in 1991 (Deutsche Bundesbank 2014b).

Public defense against inflation thus merges with the household duty to save. Both, when combined, sustain an entire moral order of prudence, thrift, work. Here, the Weimar background leads to an identification of moral virtue and stability as such. This moral economy is first and foremost predicated upon the stability of the household and the household patriarchy. “The carnivalesque atmosphere” of hyperinflation

indicate[d], albeit with differing shades of ambivalence, a momentary freedom from rigorous cultural norms, the breakdown of class and gender lines, and the transgression of moral standards (Widdig 2001: 10).

---

15 Author's translation from German: “Inflationen sind vom sozialen Standpunkt eines der schwersten Übel, denn sie nehmen dem Menschen die Möglichkeit, für sich und die Seinen vorzusorgen.”

16 Author's translation from German: “Ermöglichung des Sparens ist besser als karitative Hilfe oder staatliche Subsidien,” since people must be “in die Lage versetzt werden, sich notfalls aus eigener Kraft zu helfen.”

Moreover, it is predicated upon stability of property and the political order based on the valuation and acceptance of property (Feldman 1993: 702). Monetary stability is thus the centerpiece of a moral order whose cornerstones derived their moral specificity from the rejection of the Weimar economy and its tumultuous experience. At their core is an affirmation of deflation and saving as virtuous: public and private contraction. This order creates the aforementioned 'collective psyche,' combining the rejection of hyperinflation with that of social disorder. It is directed against the pseudo-integration of mass society caused by the decadent excesses of hyperinflation (Widdig 2001: 23). Hyperinflation, the excess of mass society's spending as opposed to work and thrift, engenders a situation where

humans have lost a ... compass of what is their essence to such an extent that their relation to the most elementary factors – work and leisure, nature, time and death, the other sex, ... property, war and peace, reason and emotion, and to society – has come to be disordered in the most serious way (Röpke 1942: 23-25).<sup>17</sup>

Similar sentiments can be found in Eucken's works, cited above, as well as speeches of Chancellor Adenauer, himself a firm believer in a more or less authoritarian moral economy.

Upholding the propriety of work and thrift means upholding moral order as such. The foundation of German ordoliberalism, the rhenish capitalism of the 1950s and 1960s and of the Bundesbank, is thus only very marginally related to economic freedom in the neoliberal sense (Blyth 2015: 136). To be sure, ordoliberalism is predicated upon the state's role as guarantor of the market's legal order as such, and "not upon steering the economic process" (Eucken 1952/2008: 336).<sup>18</sup> Yet, the market is primarily the public manifestation of a moral order, not an end in itself. As discussed above, it provides, first, the stability necessary to preserve saving

---

17 Author's translation from German: "...ist den Menschen ... der Kompass des menschlich Wesengemäßen in so hohem Maße verloren gegangen, daß ihr Verhältnis zu den elementarsten Dingen – zu Arbeit und Muße, zur Natur, zu Zeit und Tod, zum anderen Geschlecht ... zum Eigentum, zu Krieg und Frieden, zu Verstand und Gefühl, und zur Gemeinschaft – in ernstester Weise in Unordnung geraten ist."

18 Author's translation from German: "...nicht auf die Lenkung des Wirtschaftsprozesses."

(Eucken 1960). Second, it allocates, in stark contrast to Weimar-era hyperinflation, the fruits of one's labor according to the virtue of one's work. "The market economy constitutes a consumer-oriented, mathematically exact apparatus which builds incomes according to market requirements" (Müller-Armack 1952: 460).<sup>19</sup>

The market, as an instrument of precise moral measurement, can only be maintained through permanent vigilance against inflation, since the aforementioned 'mathematical precision' requires that inflation not distort the market mechanism, nor its concomitant social function: "stable money is the central presupposition of a functioning market economy as well as a distribution of income which is as equitable as possible" (Böhmler 2007: 9).<sup>20</sup> To be sure, this vigilance also manifests as neoliberal market conformity, a staple of German *Ordnungspolitik*: "To make the social market economy concrete, maintaining a formally competitive order will not be sufficient. [...] Nevertheless, if this goal is to be achieved, economic policy must be redesigned towards market conformity" (Müller-Armack 1952: 464).<sup>21</sup> Market conformity is not a value in itself, however, but is in turn predicated upon the aforementioned exactitude of the price mechanism which first and foremost allows markets to work properly (Eucken 1960: 319). Thus, market vigilance is identical to suspicion against all inflationary tendencies. Here, upholding the moral order manifests in macroeconomic form: primarily as wage restraint, urged by the Bundesbank on several occasions, but also as fiscal restraint (Deutsche Bundesbank 1998: 26; Leaman 2001: 226).

19 Author's translation from German: "Die Marktwirtschaft bietet eine sich an den Konsumentenwünschen orientierende, rechenhaft exakt funktionierende Apparatur, die gemäß den Markterfordernissen Einkommen bildet."

20 Author's translation from German: "...dass stabiles Geld die notwendige Voraussetzung einer funktionierenden Marktwirtschaft und einer möglichst gerechten Einkommensverteilung ist."

21 Author's translation from German: "Für die Konkretisierung der Sozialen Marktwirtschaftspolitik dürfte in jedem Falle die Herstellung einer formalen Wettbewerbsordnung allein nicht ausreichen. [...] Erforderlich jedoch ist, wenn das Ziel erreicht werden soll, die Umgestaltung der Wirtschaftspolitik im Sinne ihrer Marktkonformität."

This twofold restraint is only superficially neoliberal (Lucarelli 2011). Wage and fiscal restraint are moral duties. The former, allows saving, which is to say, the preservation of a class divide freeing up capital to be 'saved,' i.e., invested abroad (Shambaugh 2012: 216-218). The latter rendered social security was strictly subordinate to monetary stability in the *ordo* of the Bonn Republic. Once more, the Bonn Republic's social consensus has included unions whose influence on operative decisions as well as bargaining power has dampened the effects of such proto-austerity. Nevertheless, “[m]aking saving possible is better than charitable help or state subsidies” since people must be “capable of helping themselves if necessary” (Eucken 1960: 319).<sup>22</sup>

The moral economy at the heart of Bonn's ordoliberalism thus partly anticipates the neoliberal tradition of supply-side monetarism said to be the origin of the Bundesbank's current ideological stance in the ECB directorate and the Eurosystem (Leaman 2001: 225-227). This laid the ground for the Berlin Republic's benchmark role with regard to the first two austerity conversions: the constitution of supposedly national economies of competitive disinflation (Lucarelli 2011: 219; Belke 2012: 680; Schiaffino 2013: 458-459). The Bonn Republic's moral economy also, however, transmits the foundations of the third conversion, morally overdetermining the former two towards the contemporary austere transposition. Seen against the Weimar Republic's background, Bonn's moral economic core is the rejection of Weimar's instability, and hence the affirmation of saving and thrift as such, of the virtue of price and value, of the rejection of disorder and excess.

To be sure, the Bonn Republic did have a social safety net, and the polity's predication upon the centrality of deflation and saving – public and private contraction – remained largely

---

22 Author's translation from German: "Ermöglichung des Sparens ist besser als karitative Hilfe oder staatliche Subsidien," [...] "in die Lage versetzt werden, sich notfalls aus eigener Kraft zu helfen."

teleological (Blyth 2015: 138-140). The German economy during the Bonn Republic rested on an uneasy equilibrium between social safety provision, strong union presence, and monetary stability (Hall and Soskice 2001: 21-27). To a significant extent, this was paid for by Germany's consistent export surpluses since 1952 (Destatis 2014b). The social effects of monetary righteousness could therefore be balanced, in this equilibrium, by the export successes of the former within the *Pax Americana* (Streeck and Mertens 2013). It took the escalation of austerity's scope from the Bonn Republic to the reunified Berlin Republic, and ultimately to the Eurozone, for austerity to become as virulent as it is today.

### 3.6 1999/2012: Austerity in Berlin

Austerity in the context of the so-called Eurozone crisis is not as senselessly unhinged as it seemed to observers of the quasi-negotiations between Greece and the Eurogroup in July 2015, “which will be sold as being a cruel-to-be-kind deal [but] is nothing of the sort. It is simply being cruel to be cruel” (Moore 2015). Nor is it simply a neoliberal Bundesbank imposition or an exclusively German policy. To be sure, the transition to the Euro does contain a fetishization of markets and their abilities to measure the value of any social entity correctly, as discussed above (Leaman 2001: 211). This is exemplified in the precise mechanisms used in the Mark-Euro transition in 1999. Despite the prior political fixation of the Mark-Euro exchange rate at roughly 1.9 DM per Euro, the means to achieve that ratio was not merely a state-enforced exchange, but rather a matter of open market operations so customary for the monetarist central bank (Deutsche Bundesbank 1999: 20; Leaman 2001: 226-227).

Moreover, this was not just a fetishization of a concrete market, but rather of markets in the abstract. An example of this can be found in the Bundesbank initial stance regarding the unification of Eurozone secondary sovereign debt markets. When discussing the fulfillment of

the Eurozone's convergence criteria by the future member states (3 per cent annual deficit, 60 per cent debt-to-GDP ratio), the document cautioned that market expectations of monetary union had led to a self-reinforcing distortion where “the expectation of a country's participation in monetary union has had a feedback effect on its fulfillment of the convergence criteria” by lowering interest rates and easing government refinancing; “in some cases [it] has even made it possible for them to meet both the interest rate criterion and the deficit criterion” (Deutsche Bundesbank 1998: 26). The Bundesbank nevertheless endorsed market judgment in the very moment it deemed it distorted, particularly with regard to Italy's, Portugal's, and Spain's interest rates (*ibid*: 31).

What is fetishized here is not the concrete market at the time (whose result was rather criticized), but rather an abstract market, a principally infallible mechanism: the Bonn Republic's “mathematically exact apparatus which builds incomes according to market requirements” (Müller-Armack 1952: 460).<sup>23</sup> To this end, the Bundesbank insisted on the European Stability and Growth Pact's no-bail-out provisions as a condition of European Monetary Union, cautioning that “[t]he higher public debt is, the greater the necessity for consolidation to maintain or regain the necessary room for manoeuvre in fiscal policy and to safeguard the markets' confidence in the soundness of public finance” (Deutsche Bundesbank 1998: 24). Likewise, the Bundesbank urged a year later that “the euro is no substitute for reforms, but [...] will increase the pressure on policy makers to reorientate [sic] their economic policies” (Deutsche Bundesbank 1999: 30). The liquidity-solvency conversion proved quite potent in this regard.

Nor is it the Bundesbank alone in imposing this priority, even though its protests against what it perceived to be inflationary ECB policies were often high-profile open protests in the

---

23 Author's translation from German: "rechenhaft exakt funktionierende Apparatur, die gemäß den Markterfordernissen Einkommen bildet."

context of the so-called Eurozone crisis. The National Central Banks and governments of Finland, the Netherlands and Austria backed austerity throughout the so-called crisis (Shotter et al. 2013). Moreover, Spain and Portugal came to embrace it too, if only to reject the viability of Greece's SYRIZA after the January 2015 election and before its defeat in July 2015:

Prime Minister Alexis Tsipras's resistance to austerity has fueled political tensions in other countries that adopted severe belt-tightening during Europe's debt crisis, prompting their leaders to harden their opposition to demands from Athens [...] the governments of Ireland, Spain and Portugal have formed a united front with Germany, Finland and the Netherlands (Kanter and Alderman 2015).

The center upon which austerity hinges in the context of the so-called Eurozone crisis is therefore neither market fetishization nor Bundesbank orthodoxy, nor even German hegemony (although Germany is its moral benchmark). Rather, its center is a fetishization of thrift: of public deflation and private saving. What is at stake in austerity is the moral distinction between virtue and frivolity. On the surface, in line with the neoliberal conversions in the austerity transposition, this distinction seems to be measurable, quantitative, and economic. Seen this way, fetishizing thrift is a decisive part of neoliberal production strategies. Not only is saving mostly done by "by persons in the upper half of the income brackets," and hence delineated along class lines which its fetishization helps to preserve (Galbraith 1971: 220). It is also done "by decision of technosphere," which "will increase its investment as its retained earnings increase" (*ibid*: 220-221). In the Eurozone, therefore, fetishized thrift results in a circulation of German capital surplus, as discussed further in chapter four (Sinn 2006: 1152; Shambaugh 2012: 216-218).

Furthermore, thrift manifests as a public inflation target: "a year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the Euro area of below 2 per cent" (ECB 2014d). With this target, a corresponding growth rate is to be achieved, particularly by encouraging Eurozone lending to nonbank businesses (ECB 2014e). Yet, the target is clearly

capped by concerns which go beyond monetary considerations, as ECB economist Otmar Issing confirmed in a 2011 interview:

History has taught us that solid public finances and stable money belong together. [...] If fiscal policy gets out of hand, the imbalances between sound and unsound countries increase. Growth declines and unemployment rises. In short, the euro zone does not become a center of economic strength. The euro is weakened (Issing 2011).

Anything engendering inflation above two per cent results in price signal distortion (Leaman 2001: 235), thus returning inflation to “one of the worst grievances from a social point of view,” as discussed above (Eucken 1960: 319).

The inflation target as such has also been remarkably successful. HICP inflation in the Eurozone has not exceeded 2 per cent since January 2013 (which recorded a 2 per cent inflation from January 2012), undercutting 1 per cent since October 2013 (which recorded 0.7 per cent inflation vis-à-vis October 2012). During the crisis, December 2010 through January 2013, HICP inflation remained between 2 per cent and 3 per cent, having been below 2 per cent between October 2008 and December 2010 (ECB 2014e). Given that these periods saw not only SMP and OMT, but also the ECB's monetary stimuli to combat the effects of the 2008 and 2009 crises in the United States, as well as frequent U.S. demands to stimulate further, the ECB's sterilization measures must be seen as successful with respect to combating Eurozone inflation (Giannone et al. 2011: F471; Geithner 2014: 339-340).

Indeed, a significant number of economists argue they are too successful (e.g. Muellbauer 2014). Not least, the ECB itself has recognized the danger contained in the fact that HICP inflation in Europe has not risen above 2 per cent since January 2013 and has remained lower than 1 per cent since October of that year, both relative to a year prior (ECB 2014e). Very recently, deflation has given way to flat price levels – 0.0 per cent inflation across the Eurozone between April 2014 and April 2015 (Claire Jones 2015). Yet this, too, is scarcely cause for

celebration. That low inflation or even deflation hinders growth is an effect recognized in economic theory. Under deflationary conditions or conditions very close to them, households and businesses will find it attractive to save rather than invest money, as its future purchasing power is higher than its present purchasing power. Likewise, under conditions of very low inflation, an investment by a business is not likely to be met by new or increased demand (Keynes 1964: 160-161).

The Eurozone experiences just this under conditions of low inflation (Shambaugh 2012: 172, Schiaffino 2013: 458-459). As wages and prices stagnate or remain negative and demand stagnates, growth remains elusive. Indeed, real GDP growth in the Eurozone was stagnant in 2008 (0.4 per cent), clearly collapsed in 2009 (-4.4 per cent), and after a brief recovery in 2010 (2 per cent) and 2011 (1.6 per cent), became negative again in 2012 (-0.7 per cent) and 2013 (-0.4 per cent) (Eurostat 2014c). Real growth in Greece had been negative throughout the years from 2008 to 2013, reaching its lowest value in 2011 (-7.1 per cent). Likewise, Portugal's economy either stagnated (2008, 2010) or contracted during these years, with a negative growth of -2.9 per cent in 2009 and -3.2 per cent in 2012. Spain and Italy both contracted violently in 2009 (-3.8 per cent and -5.5 per cent, respectively), grew moderately or contracted further in 2010 and 2011, and clearly contracted in 2012 and 2013 (Eurostat 2014c).

The real economic ramifications of austerity are thus distributed along the lines of the 'core'-'periphery' differentiation of the asset class of Euro-denominated sovereign bonds (Schiaffino 2013: 461). Europe's current account as a whole (both for the EU-28 and the Eurozone) was almost exactly zero in 2012, and still was in 2014, which indicates that the 'core's' current account surplus corresponded directly to 'peripheral' current account deficits (Lane 2012: 52; Nowak et al. 2012). Even if that were not problematic in itself, the chasm's economic

ramifications are at least exacerbated by austerity. However, adverse economic ramifications of austerity cannot discourage its advocates, as austerity is a moral, not primarily a political economy. Austerity policies are successful throughout Europe, independent of whether austerity was induced by domestic elites, as in Spain and Italy, or by Troika fiat, as in Ireland, Portugal, and Greece. Their success is destructive. Austere suffering is not so much the bitter medicine of neoliberal policies some have compared it to (Varoufakis 2010).

Austere virtue is destructive: violently imposing public saving, austerity combines with private or microeconomic saving. To be sure, the latter can be said to be microeconomically rational, too: a strong liquidity preference by households and businesses to weather the crisis (Shambaugh 2012: 168). However, as is well known, its macroeconomic effects are disastrous, as they engender a self-reinforcing recession in combination with rising unemployment and wage restraint or even suppression, in turn suppressing aggregate demand and hence supply (Keynes 1964: 247-249; Lane 2012: 58).

Yet, the absence of public investment to offset private saving is the deliberate and explicit core of austerity. Austerity is a moral program centered in the condemnation of the real economies corresponding to the 'peripheral' asset class. The countries subject to austerity have lived beyond their means and must be punished by the "incorruptible authority" of "[t]he market": "A country that behaves correctly pays low interest rates, while one that lives beyond its means pays higher interest" (Issing 2011). The 'periphery' has distorted price signals – sovereign bond interest rates, national real inflation targets, wage and transfer costs (European Commission 2010b; European Commission 2011a; Lane 2012). Tempted with easy money, countries chose not to remain prudent (Belke 2012: 679-680). Their frivolity is that of inflationary spending, morally pernicious and economically imprudent: excessive rent-seeking,

corrupt spending, obstinate and frivolous, speculative and immoral (Blyth 2015: 68). “The implementation of structural measures,” says the European Commission about Greece in 2012, “will have to overcome bureaucratic delays, the resistance of lobbies and vested interests and break longstanding policy taboos” (European Commission 2012a: 4). Examples include the much-publicized thirteenth and fourteenth monthly salaries of Greek public employees (European Commission 2010b: 20; Christofer 2014), excessive tax evasion (European Commission 2010b: 24; Mitsopoulos and Pelagidis 2011: 126), or excessive expenses for the 2004 Olympic Games (Kaplanis 2011: 222). Austerity contrasts these expenses with their virtuous counterparts: tax collection efforts, debt servicing, and banking sector recapitalization (Lane 2012: 59).

Yet, the frivolity does not remain public; it is also private. There were the much-publicized “white elephant projects that have worsened the situation, airports that have no traffic, massive opera houses with no customers, and the like” (Blyth 2015: 68). Once more, the standard by which the European periphery is ruled ‘frivolous’ for austerity purposes is not economic and has nothing to do with whether the spending was public or private or, in the Italian case, whether there had been any excess at all (Belke 2012: 685; Lo Conte 2009: 351). It is moral. Austerity constitutes a differentiation between the carnival of reckless consumption in the ‘periphery’ to the established, morally virtuous, thrifty consumption patterns in the ‘core.’ Never mind that this is grossly inaccurate. Only this way, all differences between the economies of the European periphery can be reduced to ‘inefficiencies’ in general: ‘unsustainable’ demand by unions, by rent-seekers, by political freeloaders (TPTG 2011b: 270-272), or in a less radical version, general reckless overconsumption on a credit basis (Berend 2013: 91-114).

To uphold this differentiation, austerity must remain endless. While the economic effects of

the 'core'-'periphery' differentiation could be compatible with peripheral growth (that is to say, while carry trades could conceivably work even if the 'periphery' grew again), the moral righteousness of the 'core' demands the endless reinforcement of the moral condemnation of the 'periphery.' Here, austerity's third conversion morally overdetermines the first two, and austerity returns into its origin in the 1923/1948 differentiation across the German Republics, where inflation is hyperinflation and spending as such is suspicious. The purpose of a 'peripheral' country under austerity goes beyond serving what chapter two of this study identified as a fundamental: as a tier-1 capital producer and source of bailout funds (European Commission 2011a: 18; European Commission 2011b: 21; European Commission 2012a: 6). Rather, cutting public and private spending, as such and indiscriminately, is austerity's point.

Private expenses are to be cut following public expenses. Any public wage cut serves to reduce private wages. Once more, this is justified within the first two conversions with competitive methodological nationalism. In Portugal, for example, “[w]age cuts in the public sector [were] expected to contribute to wage moderation in the private sector” (European Commission 2011a: 19). Similarly, Greek public wage cuts and their effects on private wages were expected to “help to curb undue wage pressures, which affect Greek competitiveness negatively” (European Commission 2010b: 26-27). Wages and social payments are not, however, merely to be cut indirectly, but also directly: “On wage setting, the [Portuguese] government will take commitments to ensure that overall labour cost developments are consistent with improving firms' competitiveness and fostering job creation” (European Commission 2011a: 27).

Yet, restoring the periphery's competitiveness is only ostensibly the goal of these endless rounds of wage and expense cuts. Failed rounds of restoring competitiveness through cuts are followed by further rounds of cuts: “The Eurogroup is fully aware of the significant efforts

already made by the Greek citizens but also underlines that further major efforts by the Greek Society are needed" (European Commission 2012: 6). The efforts and cuts themselves were the point. As Irish finance minister Brian Lenihan put it in 2009: "We need to persuade the international markets that we are capable of taking the tough decisions now to get our house in order" (cited in Considine and Dukelow 2011: 191). Seemingly technical demands by the creditors thus come to be morally overdetermined to the point where the suppression of spending as such becomes a moral duty: "in Europe, as in America, far too many Very Serious People have been taken in by the cult of austerity, by the belief that budget deficits, not mass unemployment, are the clear and present danger [...] Talk to German officials and they will portray the euro crisis as a morality play, a tale of countries that lived high and now face the inevitable reckoning" (Krugman 2012b).

It is imperative for austerity that the moral overdetermination of the 'core'-'periphery' differentiation last as long as possible, as it not only allows the moral affirmation of the virtuous 'core,' but also of the markets as "incorruptible authority" (Issing 2011). For the 'core,' this double affirmation is self-evident. "Whatever role the markets may have played in catalysing the sovereign debt crisis in the eurozone," writes German finance minister Schäuble in 2011, "it is an undisputable fact that excessive state spending has led to unsustainable levels of debt and deficits that now threaten our economic welfare. [...] For too long we have forsaken long-term gains for short-term gratification with the result we all know" (Schäuble 2011). However, even the 'peripheral' governments can affirm their (now) virtuous behavior by appealing to infallible market judgment. Thus, reviews of austerity programmes emphasize "strong commitment and perseverance [which] need to be maintained to bring the Programme to a successful conclusion" (European Commission 2012c: 5). Nevertheless, austerity must continue: even in the most

cheerful of all peripheral assessments, the Summer 2012 review of Ireland, that “important challenges still remain,” particularly “still sizable consolidation requirements” (European Commission 2012e: 20).

Economically, therefore, austerity and its endless perpetuation in the real economy of Europe serves as a reinforcement of the European banking circuitry's carry trade opportunities. As it destroys 'peripheral' real economies, the corresponding fundamentals remain subject to high interest rates since their corresponding real economies can be said to be incapable of credibly upholding the flow-stock conversion. Austerity ensures that debt service remains prioritized, i.e., that fundamentals can serve their role for interbank markets – while engaging in the destruction of the economy posited by austerity as a national economy. In this sense, austerity is at once punishment and insulation of creditors against the effects of the punishment.

Germany, in fact, understands moral hazard backward. The standard definition refers to lenders; covering their losses will encourage them to make bad loans again. And that is, let us not forget, exactly what Europe's creditors have done. Their financial assistance to Greece was deployed to pay back German, French and other foreign banks and investors that held Greek debt. It did Greece little if any good (Porter 2015).

Yet, this is not at the core of austerity's third conversion, which is rather an endless movement of moral punishment. Moreover, its condemnation is particularly directed against socially progressive demands, as will be seen in the Greek case: rising standards of living, political experimentation, and emancipation (Kaplanis 2011). Austerity's neoliberal antecedents contained similar condemnations. It is important to note that the social progress of women was set back by deflationary policies in 1923 (Widdig 2001: 10), just as it was by neoliberal policies under Thatcher (Hoover 1987), or again in the 2008-2013 crises, particularly in the global periphery (Roth 2010: 221-227). The heart of austerity is not stability as deflationary contraction; it is a dream of pure contraction, endlessly exacerbated contraction, asymptotically approaching

a state without spending. Every cut is followed by another; every escalation by another; asymptotically approaching a state of pure saving.

The escalation by which the only partly austere *ordo* of the Bonn Republic came to be the endless, excessive contraction of European austerity is the purifying transposition of the German version of austerity to its European counterpart – which, in turn, projects “Germany” as its centerpiece. In the context of the so-called Eurozone crisis, when austerity was transposed to the European level, it returns to its excessive truth which it had always been. No longer restrained by the Federal Republic's institutional path dependencies, it returns to the pure us-versus-them constellation it had been in 1923, attributing cunning to the victims. On the one hand, it projects austere 'Germany' as the core of austere Europe: “Each new report on the need for billions in Europe's crisis-ridden countries reignites concerns over the stability of money” (Jung 2014).

On the other hand, the austere transposition of the European economy, first, to competitive 'national' economies, and second, to morally virtuous or vicious economies, projects 'Germany' as the benchmark of both, and thus of a 'core' freed from the shackles of the Bonn Republic's social consensus and virtuous as a whole because it is opposed to its counterpart, the 'periphery,' which is morally pernicious as a whole. The North-South distinction is an effect of the continued implementation of austerity. After the ECB's OMT program was inaugurated, “countries like Germany and Finland” (and, one can add after July 2015, Latvia, Austria, Slovakia, Slovenia) “feared that the eagerness to save could be lost on the Southern Europeans” (Kaiser 2012).<sup>24</sup> However, they did not and will not need to worry. Austerity is implemented continuously and just as well in countries who never were under Troika supervision and countries who left Troika supervision as it is in countries still under 'rescue packages.' Virtuous society must be defended:

---

24 Author's translation from German: “Nun fürchten Länder wie Deutschland und Finnland, dass den Südeuropäern der Spareifer abhanden kommen könnte.”

“A horror show of decrepit political formations not seen since the interwar years has been exhumed from the crypt and installed across Europe: national governments, externally-imposed technocrats, even – in Greece – a troika-dictated regimen” (Guinan 2013: 46).

### 3.7 Conclusion

It is altogether useless to argue, as some have done in the context of the recent Greek upheaval, that Germany's status as European *Zahlmeister* (paymaster) is disingenuous (Cohen 2012: 696). To be sure, as Piketty noted: “Germany, the country that made the most dramatic use of inflation to rid itself of debt in the twentieth century, refuses to countenance any rise in prices greater than 2 percent a year” (2014: 142). Moreover, as chapter four will discuss, Germany's insistence on its own success in implementing *Agenda 2010* proto-austerity is disingenuous, as Germany's current economic strength is at least partly due to factors entirely outside of its own borders (Lucarelli 2012: 221; Dany et al. 2015). 'Germany' is partly required as austere benchmark to uphold the 'core'-‘periphery' differentiation allowing European banking sector carry trades. Here, German 'core' sovereign bonds provide investment opportunities for markets whose oscillations required it as a safe haven in 2009-2013 (Pusch 2012: 2). To the same end, the benchmark requires aberrations, which is to say, a 'peripheral' asset class. Upholding this status constitutes the economic part of austerity's *raison d'être*. Its first two conversions convert an integrated European economy into competing neoliberal economies optimizing their export-oriented supply sides.

Through these first two conversions, it becomes possible for the European Commission and related actors to 'recommend' the same policy goal across all countries subject to its 'recommendations,' namely, export-oriented growth, to be supplemented with wage and social security cuts to restore competitiveness. The macroeconomic critique that it is not feasible for all

peripheral countries to do this at the same time without the so-called European core supplying effective demand is correct, as I have argued (Krugman 2012b). Yet, this critique does not reach the level at which the austerity transposition occurs since it assumes that austerity is a set of policies applied to national economies.

Austerity rather constitutes these national economies. Moreover, it constitutes these national economies as debt-servicing economies, which is to say, it converts parts of the European real economy along the lines laid out and demands posed by the European banking system. As discussed in chapter two of this study, the country-fundamental transposition requires at its heart the flow-stock conversion, i.e., the transposition of sovereignty from an ability to default to a guarantee to market participants to repay. This is being ensured by the austerity transposition's formal imposition of debt service prioritization (European Commission 2012: 6). After all, the main ostensible purposes of austere reforms, as I have shown, are the restoration of debt repayment credibility ("macro-financial stability," European Commission 2011a: 21) and the current account surplus necessary for this credibility ("sustainable growth," European Commission 2010b: 17).

Moreover, European austerity goes beyond supply-side monetarism to a moral overdetermination of market judgment, 'core' virtue, and 'peripheral' moral condemnation. The third conversion contained in austerity undermines and reinforces the previous two. Austerity 'makes sense' macroeconomically only if one accepts that the European financial system's profitable existence depends upon the continuation of the 'core'-'periphery' differentiations within the Euro-denominated sovereign debt asset class. Were growth the goal of austerity, as claimed by its proponents, it would require private investment, prevented for businesses by the private virtue of saving, or public spending to supply aggregate demand, prevented for households by

public saving (Lucarelli 2011; Shambaugh 2012; Schiaffino 2013). Yet, austerity's goal is not growth, nor even the European banking circuitry's integrity, but condemnation as such: the reactionary dream of separating, once and for all, frivolous from virtuous spending, privately and publicly. Here, the European economic scenery becomes a moral scenery whose real economic *telos* is the impossible dream of an economy consisting entirely of virtuous saving and production without consumption, or only with its minimal necessary amount. National economies are thus carved out of a European economy along a moral scale of aberrations from this impossible model of pure and endless contraction. By the same token, they are subjected to a self-reinforcing economic and political dynamic whose 'success' is evident precisely in the macro-economic devastation so often criticized by those who claim that austerity is at its heart an economic set of policies. Upholding the 'core'-'periphery' differential, whether in the real economy or in the Euro-denominated sovereign debt asset class, is likewise only a by-product of austerity.

## Germany

In this chapter, I criticize the assumptions allowing the German real economy to play the role of a successful economic benchmark of the country-fundamental transposition, and of a virtuous moral benchmark of the austerity transposition. Such attributions have been particularly prevalent in the recent stand-offs over Greece's third bailout package (Traynor 2015). Yet, similar to Greece, which I will discuss in chapter five, this vastly overestimates Germany's position. Germany does fulfill its role as paradigmatic case of the 'core' group of countries quite well, as 'market judgment' confirmed throughout the so-called crisis by low sovereign interest rates (Dany et al. 2015). However, this is neither due to a German national moral specificity, as required by the third austere conversion, nor due to its domestic practices, as required by the country-fundamental transposition's benchmarking techniques. Like Greece, Spain, Portugal, and so forth, Germany is a result of European austere transpositions. In this chapter, I reject claims of German virtuous specificity, particularly with regard to its *Hartz* reforms. Rather, I argue Germany is similar to all other so-called national economies of the Eurozone: a subcircuit of Europe's real economy, transposed to an austere national economy. Austerity 'works' in Germany, as I will argue here, for reasons situated outside of the borders assumed by the methodological nationalism of German national accounting.

Yet, the first section of this chapter shows that such nationalism guides conditionalities attached to German solidarity payments made in the context of the so-called Eurozone crisis. I show this particularly for the rescue packages organized through the European Financial Stability Facility (EFSF) and European Stability Mechanism (ESM). With these came a particular form of parallel political discussion, mirroring intra-German discussions about solidarity payment streams. The section therefore argues that methodological nationalism positing Germany as

virtuous benchmark is parallel to internal German conflicts over South-North and West-East redistribution of goods and payments.

This invites an analysis of Germany's supposedly national economy in terms of payment streams, examined in the third and fourth section of this chapter. In these sections, I present a three-step analysis of Germany's "bazaar economy" (Sinn 2006: 1160). First, provisionally accepting the methodologically nationalist assumption that a German economy can meaningfully be said to exist, I show that this economy's success depends as much on European and global trade flows as the German fiscal strength has been shown to depend on European portfolio allocations and 'flights-to-safety' (Pusch 2012: 2-6; Dany et al. 2015). The subsequent section introduces a shift in perspective to show that even that analysis is in need of further radicalization. Here, a dynamic analysis of the intra-German as well as European and indeed global payment streams traversing Germany's territory sub- and supranationally shows that the so-called German economy consists of a small set of value-added hubs, particularly in Bavaria, Hesse, and Baden-Württemberg.

These hubs constitute nodes of payment streams and corresponding economic flows of goods and services, logistics and transportation. They, in turn, depend on European and global connections. The actuarial nationalism designating them as a 'German economy' is thus as suspicious as the moral economic nationalism designating it as an "economic superstar" (Dustmann et al. 2014: 168). What appears in accounting of entities such as ESM and EFSF, Eurostat and ECB as a 'German economy' is a transposition of a geographical area traversed by flows and their corresponding real economic counterparts into a supposedly national unit – as though the part of economic and payment flows occurring on German terrain were any different from those occurring on French or Polish terrain.

In the fourth section, consequently, I expand on this dynamic analysis of the so-called German economy to discuss its ramifications for austerity's real economic foundations. The finding of the final sections of chapter three (that austerity is not German, but Germany is austere) are defended here against German 'crisis' nationalism. To do this, I apply the historiographical reversal contained in the study of Germany as a methodologically nationalist transposition. It is not Germany's Hartz labor market reforms reversing, as is often argued, its status as "sick man of Europe," which allows austere 'successes' (Reiermann 2008).

Rather, the conversions contained in the austerity transposition create 'Germany' in the context of the so-called crisis, thereby reconstituting its history. The German economy as such is only the result of the first and second austerity conversion, which superimpose an actuarial and 'competitive' nationalism over the European and global payment and goods streams traversing the country's geographical territory. Due to the nature of the streams traversing the country, this superimposition is particularly 'competitive.' The third conversion then uses the resulting moral righteousness on the part of The Real Swabian Housewives of Berlin to sustain Germany's status as benchmark fundamental. This status is needed, in turn, for the continued imposition of the destructive real economy of austerity which, in turn, reinforces the 'core'-'periphery' differentiation so profitably exploited by the European banking circuitry.

#### 4.2 Conditional Solidarity

In this section, I discuss the conditions attached to the disbursement of funds from the European rescue facilities European Financial Stability Facility (EFSF) and European Stability Mechanism (ESM). Their conditionality is closely intertwined with the methodologically nationalist assumptions of austerity, and particularly with that of the 'core'-'periphery' differentiation between 'net paying' countries supplying support packages and market credibility

to the 'net taking' countries benefiting from EFSF, ESM, and European cohesion payments (Belke 2012). This section maintains, however, that Germany's status as centerpiece of this assumed duality – as virtuous polar opposite of the peripheral vices exemplified by Greece – is as untenable as Greece's status as first letter of the GIIPS designator.

Germany's role in the so-called Eurozone crisis is vastly overstated in two respects. First, it is often asserted that a German attempt at hegemony in Europe is contained in austere bailout packages (Galbraith et al. 2014). Talk of German 'leadership,' perhaps in tandem with France, has been prominent as it seemed to many that 'crisis' governance required "the Franco-German axis," which "is crucial for the conception and vision of a viable Europe" (Young and Semmler 2011: 18). That this axis – the metaphor is either very unfortunate or all too apt – was living up to austerity's antidemocratic antecedents, was evidenced by the suppression of the planned Greek referendum of 2011 through Angela Merkel's and Nicholas Sarkozy's threats of forcing Greece's Eurozone exit (Donadio and Kitsantoni 2011). Second and more fundamentally, it is often asserted that Germany's role in Europe resulted from leadership "that powerful member states with corresponding resources of influence can ... provide" (Schild 2013: 27). Its status here is either based on its GDP or share of ECB funds, or, more broadly, on "the country's ... status as the growth engine of the continent" (Young and Semmler 2011: 2).

In both versions of this argument, Germany's special status is maintained. Unlike European peripheral countries, Germany had been capable of issuing sovereign debt at low interest rates to recapitalize and provide asset relief to its banking system as well as institute a 'stimulus package' in 2008 without being relegated to the newly differentiated 'periphery' (Bennhold 2008; Heise 2012: 51). As a result, Germany's public debt-to-GDP rate had been relatively high (72.4 per cent of GDP in 2009, as opposed to only 52.7 per cent in Spain), yet had not been deemed

'problematic' by markets (Eurostat 2014a; Daianu 2012: 307). On the contrary: 'safe haven' movements from GIIPS countries to German sovereign bonds spared Germany significant amounts of debt servicing expenses after 2009 relative to non-'crisis' scenarios (Dany et al. 2015). Germany was thus able to continually access the "confidence channel" of market trust in the integrity of its flow-stock conversion (Blankenburg et al. 2013: 464). Yet, this confidence was not so much confidence in Germany, *per se*, but was rather a self-reinforcing effect of the differentiation in 'core' and 'periphery' countries (Schuknecht et al. 2010). Some have concluded from this that Germany is responsible for the Eurozone crisis and that its savings in debt service expenses are akin to a smoking gun (Krugman 2015). Others have argued that there is even a real economic culpability such that Germany's wage restraint policies artificially lowered its labor unit costs vis-à-vis its European competitors, forcing them into a ruinous race to the bottom of downward wage pressures (Lane 2012: 55; Shambaugh 2012: 171).

Likewise, the political economy of the European bailout facilities EFSF and ESM has been said to be characterized by the overbearing weight of creditors' political demands – which is to say, by German demands for austerity policies (Cohen 2012: 696). Indeed, an analysis of Germany's concrete role in EFSF and ESM governance seems to vindicate the country's 'leadership' based on its status as Europe's largest economy, as well as the continued trust of financial markets in its fundamental and hence in its government bonds as 'safe haven' debt securities, paradigmatically converted to so-called "firepower" in rescue packages (Heise 2012: 60; Belke 2012: 678; Schild 2013).

EFSF and ESM are funds dedicated to erecting a safety net to protect the flow-stock conversion of troubled debtors in the European periphery. EFSF, founded in 2010 parallel to the Greek bailout packages, consisted of €60 billion contributed by the European Commission, plus

€440 billion contributed by European countries (Cohen 2012: 695-696). The purpose of EFSF was to pool money obtained from issuing bonds, which was then lent to Greece, Portugal, and Ireland between 2010 and 2013 (Blankenburg et al. 2013: 469). EFSF borrowing from financial markets was collateralized by the fiscal pledges of all Eurozone countries and particularly Germany, which gave it the necessary triple-A rating to do so (Bastasin 2012: 214). Thus, one finds here a similar structure as that of the liquidity-solvency conversion discussed in chapter two: financial markets use the EFSF and its members' solvency pledges, which are backed by liquidity from these very same markets, to assure themselves of their own ability to send money back to themselves.

At the end of 2010, when the Irish bailout occurred, the EFSF was supplemented with the ESM, endowed with total resources of €500 billion (Cohen 2012: 696). Bailouts of the Spanish banking sector and oversight over the Portuguese bailout package, as well as the bailout procedures of Cyprus, were orchestrated by the ESM (Eurogroup 2014). The fund's capital structure, like that of the EFSF, is largely market-derived, with €80 billion contributed by Eurozone member states, and the remaining €420 billion to be raised by financial market instruments – hence, once again, the necessity of maintaining a triple-A rating (Cohen 2012: 696). Only when this funding source fails, pledged money from Eurozone members is to be drawn. With an additional €200 billion earmarked as capital reserve to maintain the triple-A rating, the total capital of ESM is €700 billion (ESM 2012: 2).

However, bailout operations funded by EFSF and ESM are subject to strict austerity conditionality. This conditionality implements the two transpositions at the heart of the so-called Eurozone crisis. First, the demands of the country-fundamental transposition require that the primary goal of sovereign bailouts is for countries to return to issuing their own government

bonds at market interest rates – to fulfill the intra-market hedging function – as quickly as possible (ESM 2012: 14). Second, fulfilling the demands of the austerity transposition, the country is subject to the destructive effects of austerity's moral economy of condemnation in the form of memoranda (ECB 2012). Yet, this moral economy is not Germany's moral economy, and the memoranda do not indicate that ESM and EFSF are vehicles of German hegemony. Rather, the triple-A ratings of ESM and EFSF are based on the assumption that Germany is capable of fulfilling its role as austere benchmark (Schild 2013: 27). Thus, EFSF and ESM depend not so much on Germany's fiscal pledges in themselves, but on a specifically structured assumption: that funds from Germany are funds from a country capable of implementing austerity successfully (Blyth 2015: 56-58).

Yet, this is nothing but a presupposition, as Germany has never been subject to the lending withdrawals whose liquidity-solvency conversion forced Greece, Spain, and so forth, into austerity. On the contrary: these self-fulfilling market movements have continuously and unequivocally benefitted Germany (Dany et al. 2015). Only for this reason can EFSF and ESM be assumed by markets to be stable, and hence play their own stabilizing role for bailed-out countries and secondary sovereign bond markets alike. In other words, it is the methodological nationalism at the heart of the austerity transposition which constitutes Germany as its benchmark, not vice versa.

In terms of the capital structure of the EFSF (29 per cent of its capital) as well as the guarantees pledged for the ESM (27.1 per cent of its capital, in excess of €200 billion pledged), Germany's leading role based on its economy's size seems evident (ESM 2012: 5; EFSF 2013: 2). In two crucial respects, however, Germany's credibility as a country capable of austere contraction – of projecting “counterinflationary credibility” (Wolf 2002: 44) – supports both

EFSF and ESM beyond its sheer material “firepower” (Schild 2013: 27). Of all countries in the Eurozone (including France), Germany alone would conceivably have been able to profitably weather the Eurozone's collapse since such a collapse, from a market perspective, would merely constitute a continuation of flights-to-German-safety. To be sure, an unraveling of the Eurozone would also have meant major liabilities for the German Bundesbank in the European TARGET2 payment system, since “the Bundesbank has accumulated about €700 billion in claims against the central banks of countries like Greece, Spain and Italy”; a sum “more than five times the Bundesbank's own capital” (Böll et al. 2012). Yet, such hypothetical liabilities would be easier to handle for Germany than for any of the other Eurozone member states since the new German currency would be its old currency, presumably reinforcing Germany's reputation and thus sustaining or even accelerating its attraction as 'safe haven' (Schuknecht et al. 2010).

Either way, Germany's continued market support is not a result of its virtuous policies. On the contrary, Germany's behavior is virtuous by definition, since it is the moral benchmark of austerity. Germany therefore remains the principal beneficiary of 'safe haven' flows in the context of the so-called Eurozone crisis at all times. That Germany violated the European Stability and Growth Pact on a number of occasions threatens its “safe haven” status as little as the fact that its economic policies have repeatedly been questioned with regards to their sustainability (Heise 2012: 48; Smale and Alderman 2014). Germany's 'firepower' as Europe's largest economy is derived from its 'credibility,' not the opposite. This to say, it is derived from the fact that Germany's liquidity-solvency conversion is subject to 'core' rather than 'periphery' lending, and thus enabling rather than constraining its fiscal space (Belke 2012: 678).

Moreover, since the primary target of both EFSF and ESM is the consolidation of the country's function as intra- and extra-market hedge, conditionalities explicitly allow fiscal

expenses for banking sector bailouts, or the disbursement of targeted funds paid to the respective governments just to be passed on to the country's financial sectors (Shambaugh 2012: 196; EFSF 2013: 4). Saving its subcircuits directly in this way, as well as saving them indirectly by safeguarding their intra-market hedges, the European banking circuitry constitutes fundamentals in competition with one another (Blyth 2015: 87-90). The origin of the majority of the money 'saved,' i.e., recirculated, are Germany and France (Gore and Roy 2012).

However, this also means that Germany's willingness to bail out other countries must conform to the standards set by its own benchmark status, since austerity is not a German set of policies, but Germany an austere projection. The ideological surface of this is the oft-cited comparison of the German federal budget to that of a *Schwäbische Hausfrau* "who knows how to live within her means" (Young and Semmler 2011: 7). The conditionality attached to EFSF and ESM therefore transmits the moral economy of condemnation for the 'periphery' and praise for the 'core' to which the German benchmark position ostensibly entitles it.

As discussed in chapter three, bailouts thus come with real economic "memoranda of understanding," making their disbursement conditional to the implementation of the full range of austere policies (Daianu 2012: 306). This comprises a full-fledged restructuring of welfare states, removing 'inefficiencies,' such as employment standards, pensions, and bonuses as well as social security decreases and tax increases (IMF 2009; Hay and Wincott 2012). Projecting Germany as virtuous benchmark is necessary in this context to preserve the real economic competition of austere 'national economies' corresponding to the European banking circuitry's fundamentals, as well as the moral economic competition of 'core' and 'periphery' over moral virtue.

The objective of this is not growth, as German discourses regarding the constitutionality of rescue plans admitted quite openly. Not only was the passing of an emergency law in favor of the

first Greek rescue package in 2010 challenged on the grounds of “break[ing] the ‘no bail-out’ clause of the European treaties” (Young and Semmler 2011: 7). Moreover, the welfare state restructuring performed by austere measures – though, as I show for Portugal and Greece in chapters five and six, it often only exacerbates older tendencies of “econom[ies] that exclude the many” (Kaplanis 2011) – is claimed by Germans as a moral achievement. Partly, this came in the form of a tough-hard-nosed-realist posturing about Germans accepting ‘inevitable realities’ of international competition (Fleckenstein 2011: 199). Their success in accepting austerity’s “bitter medicine” could thus subsequently be contrasted with the recklessness of those in the periphery whose unwillingness to adapt to international competitiveness made them *Pleite-Griechen* (Issing 2011).<sup>25</sup>

Nevertheless, and such posturing notwithstanding, Germany is a function of austerity, not vice versa: anger directed at its “cult of austerity” is certainly well-placed against the primary beneficiary, but fails to recognize the origin of the country-fundamental transposition (Krugman 2012b). German nationalism, like any other European nationalism, is at the service of the European banking circuitry’s austere methodological nationalism underlying the country-fundamental transposition (Schild 2013: 41). By the same token, German morally righteous nationalism is equally misguided. Not only is German ‘firepower’ in bailouts merely the result of a self-reinforcing market movement. What is more, the German fundamental – which is *ostensibly* nothing but the representation of its country’s virtuous economic policies – is an illusion. The so-called national economy of Germany, the virtuous country in its benchmark

---

25 As I show in chapter six, this assertion is easily countered by pointing out the exact similarity of Spanish and Irish proto-austerity discourses of international competitiveness and necessity prior to 2009. The Germans may be forgiven for failing to pay attention to this, of course; after all, the blankness Yanis Varoufakis saw in the faces of his finance minister counterparts in the 2015 bailout negotiations does not seem to betray any more intimate knowledge with economics on the part of their elites than the pronouncements about *Pleite-Griechen* show about the average citizen’s understanding thereof.

position, is a contradictory phenomenon on a European and global, not a national scale.

#### 4.3 Germany's embedded position

Much like Germany's financial 'firepower' stems from its 'safe haven' position, which is to say from market self-referentiality, I argue in this section that the success of German exports during the Eurozone crisis is due to a specific position it occupies within the European as well as global economy. This success has led Germany to advocate the export-driven overhaul of the European 'periphery,' in line with the 'recommendations' of the watchdogs of austerity. In the Greek case, for example, austerity attempted "an ambitious structural reform agenda to strengthen external competitiveness" and to achieve an "export-led growth model" (European Commission 2010b: 10). However, Germany's position is irreproducible, as I show here. Describing it here, I provisionally accept a methodologically nationalist perspective – after all, I still refer to "Germany's" imports and exports. Below, I go beyond this residual methodological nationalism and towards an analysis of Germany as a series of subnational hubs of supranational transit and coordination rather than an economy within a nation's borders.

Germans enjoy celebrating their *Exportweltmeisterschaft* as a sign of their virtuous disposition, never mind its macroeconomic presuppositions, or consequences to other countries (Jones et al. 2011).<sup>26</sup> Indeed, accepting methodologically nationalist assumptions, it is safe to say that the German economy is strongly export-oriented. According to the German Statistical Office, the German export quota had consistently been above 30 per cent since 2003, reaching 37 per cent in 2010, 39.3 per cent in 2011 and 39.8 per cent in 2012. Since the creation of the

---

26 Thus the Federal Government in 2007: "Germany is export world champion in 2007 for the fifth time in a row." (Author's translation of: "Deutschland ist 2007 zum fünften Mal in Folge Exportweltmeister.") (Bundesregierung 2007) Similar statements can be found for various sectors of the German economy before and after 2007. Indeed, it took until 2014 and until a Social Democrat entered the Economy Ministry for the German government to accept that "excessive and permanent imbalances" in the trade accounts of individual European countries are 'detrimental to the stability of the Eurozone'." (Neuerer 2014; Author's translation)

Eurozone, annual German export surpluses have been at more than 100 billion Euros (Destatis 2014b). One would assume that this makes Germany vulnerable for demand shocks outside of its borders. Indeed, after constant growth between 2002 and 2007, Germany's export surpluses declined for the first time from 2007 to 2008 (€195 billion to €178 billion), severely contracting from 2008 to 2009 (€178 billion to €139 billion). In 2010 and 2011, however, its economy recovered (€155 billion on average). By 2012 and 2013, Germany's export surplus surpassed pre-2007 levels: €190 billion in 2012, €198 billion in 2013 (Destatis 2014b). What is the origin of this seeming invulnerability? Does this not suggest that there might be something to the austerity argument, as has indeed been argued (European Commission 2010c)?

Asking these questions seems particularly pertinent when the full extent to which the German economy is embedded into a larger European economy is acknowledged. More than two thirds of all German export goods were shipped to European countries in 2013; 57 per cent to members of the EU-28; 40 per cent to Eurozone countries (Destatis 2014c; Destatis 2014d). This means that the so-called German real economy should have suffered from Europe's austere demand reductions. Indeed, German exports to the EU-17 have taken a hit between 2008 and 2013. While 42.8 per cent of Germany's exports were directed to Eurozone countries in 2008, this figure sank to 39.7 per cent in 2011 and 37.6 per cent in 2012 (Destatis 2014b). Trade with Italy and Spain in particular declined significantly between 2008 and 2012, which indicates that the lack of demand induced by austerity in European peripheral countries in particular has been responsible for this development (Marquart 2012). The same relation can be shown *ex negativo*. German exports were boosted significantly after European Monetary Unification, as trade between Eurozone members increased by anywhere between 8 and 16 per cent, depending on what study one analyzes (Lane 2006: 57). Moreover, German goods and current account

surpluses after European Monetary Union have been, to a significant extent, proportional to 'peripheral' goods and current account deficits (Papadimitriou et al. 2010: 4).

These findings cannot be attributed to 'competitiveness' on the national 'German' level alone, as austerity benchmarking has it (European Commission 2010a; European Commission 2010c). Rather, they are due to a subnational differentiation whose competitiveness effects are supranational. After German reunification, “[l]abor income moved at an almost identical pace to productivity” in Germany, “while in peripheral countries nominal labor costs rose faster than productivity” (Young and Semmler 2011: 10-11). As a result, the austerity perspective finds 'peripheral' losses of competitiveness between 1999 and 2009, particularly in Ireland and Greece (European Commission 2010b: 3; European Commission 2011b: 6-9).

The origin of German competitiveness gains, in turn, is its internal subnational differentiation explored in this chapter. It is not the case that German labor cost is lower than that of the periphery throughout the country's sectors, as some have argued (Lucarelli 2011). Rather, similar to what will be shown for Italy in chapter six, Germany consists of a high-wage core surrounded by a low-wage periphery, delineated along a West-East and a South-North axis. The abundant East German labor force after reunification, for example, depressed wages throughout the country's internal periphery: the North and East in particular, as well as specific sectors (Biewen 2001: 188-189). For example, “labor cost growth was meager [between 1991 and 2013] in the internationally exposed manufacturing sector,” a trend strongly contributing to corporate profits and German capital exports (Young and Semmler 2011: 10-11). The regions and sectors exempt from this development form the German core analyzed in this chapter, particularly in the South-West (Deutsche Bundesbank 2013: 33-34).

This internal differentiation is obfuscated, and hence 'competitiveness' ascribed to a German

national economy as a whole, when East and North German lower labor costs are aggregated with their higher counterparts in methodologically nationalist accounting. During the pre-crisis boom, German competitiveness was attributed to its comparatively low real effective exchange rate (REER), an indicator aggregating labor cost, bureaucratic cost, and other cost factors across sectors on a given territory (Decressin et al. 2004). The REER indicator “aims to assess a country's [...] price or cost competitiveness relative to its principal competitors in international markets” (Eurostat 2015c). It therefore gives an inadequate picture of Germany's internal geographical differentiation along the South-North and West-East axes, as well as sectoral differentiation, such as that between manufacturing and service sectors. It is methodologically nationalist (Beck and Sznajder 2006: 3). In European comparison, in turn, Germany's 'competitive' benchmark position obfuscates that its real economy had “reinforced its traditional high-productivity advantage by competing, in part, on the basis of low and falling unit labor costs, rather than using its high productivity to promote higher (collective) living standards” throughout the Euro era (Blankenburg et al. 2013: 465). No German virtuous thrift is involved; nor can peripheral profligacy be opposed to it.

What the austerity transposition operationalizes as 'excessive spending' by GIIPS governments is thus really a balance of payments inequality engendered partly by Germany's parasitic competitiveness, partly by the yield spread convergence making large funds accessible to the latter governments (Young and Semmler 2011: 3; Lo Conte 2009: 342-345). Part of these funds originated from a German “surplus of savings over investment [which was] exported to other countries” (Sinn 2006: 1172; Shambaugh 2012: 203). Moreover, the German position in Europe was strengthened further during the 2007-2008 time period. Like most European countries, Germany was able to support its economy after 2007 (Blyth 2015: 53-56). Fiscal

stimuli (*Konjunkturpaket*), labor subsidies (*Kurzarbeit*), and a German equivalent to the American “Cash for Clunkers” car subsidy program (*Abwrackprämie*) all took place in 2007-2008 (Pusch 2012: 1). This was largely financed by deficits, paid for by the subsequent reduction of German sovereign bond interest rates due to flight-to-safety phenomena (ibid: 6).

If Germany were only embedded into a European balance-of-payments economy, however, would not its export-oriented sectors feel the detrimental effects of the 2009-2015 real economic contraction? The German export-oriented industry representatives in particular (*Arbeitgeber* or *Industrie- und Handelskammer*) should be expected to object to the government's austerity policies given the fact that the German high value-added export producers require Eurozone demand for exports. Removing currency risk, a monetary union mainly benefits differentiated producers, which is to say, those whose products are sensitive to exchange rate shocks, such as car companies (Frieden 2002: 839-840). This is indeed the largest group of German export producers, at 17.4 per cent of all German exports in 2013 (Destatis 2014a). It thus seems as reasonable to expect differentiated producers – particularly the automobile industry – to be opposed to austerity measures as it was to expect them to be in favor of European Monetary Union at its inception (BDA 2009).

However, the so-called German economy has substituted global demand for European demand (Young and Semmler 2011: 9-11). Particularly, it was able to tap into “surprisingly robust demand in Asia” which “made up for declines” in European demand (Blyth 2015: 54). While the percentage of German exports to Eurozone members has declined between 2008 and 2012, exports to non-Eurozone EU members have increased by 3.1 per cent during these years (Destatis 2014c; Destatis 2014d). Exports to China alone rose from 3.1 per cent of all German exports in 2007 to 6.1 per cent in 2011 (Marquart 2012). This may not seem like much: the

German trade surplus with China in 2013 was at €4 billion, minuscule relative to the trade volume Germany has had in the same year with France (€36 billion). Yet, the Chinese surplus nevertheless allowed Germany to offset the losses from a contraction of the Greek economy, with which Germany had a trade surplus of only €2.9 billion in 2013 (Destatis 2014e). Unfortunately for the 'competitiveness' argument, this situation is not replicable for the European 'periphery' itself, since the German connection with China is unique among European Union economies. In the first half of 2012, Germany alone was not only responsible for almost half of all EU-27 exports to China, and it was also the only member country with a trade surplus with China (Eurostat 2012).

All these specificities have allowed Germany to report pre-2007 unemployment levels as early as 2009, whereas the European 'periphery's' employment figures continued to deteriorate throughout the so-called crisis (Shambaugh 2012: 170). Yet, even though these indicators do show the embedded character of the German economy, a residual methodological nationalism remains in them. They still proceed from the stipulation that there is a German economy in the sense of nationally accounted GDP, whereby economic activity is recorded insofar as it contributes to the "sum of the gross value added of all residential industrial units" (Eurostat 2015a). Similar to this stipulation of residential nationality in production, 'value added' is defined as "output at market prices minus intermediate consumption at purchaser prices" derived from a market which is in turn derived from the residential stipulations of GDP accounting (Eurostat 2015b). In both cases, therefore, "the practice of the argument or the research presupposes that the unit of analysis is the national society or the national state or the combination of both" (Beck and Sznajder 2006: 3).

Proceeding from such methodologically nationalist accounting, the austere transposition

operationalizes competitiveness with methodologically nationalist competitiveness indicators.

The European Commission's 'recommendations' for Greece, Portugal, and Ireland exemplify this.

In all three cases, labor cost is aggregated across all domestic sectors of the respective economies and then compared to other Eurozone countries as real effective exchange rate.<sup>27</sup> Compared to Germany, whose REER, as discussed above, was similarly aggregated, nationally aggregated labor markets were deemed inefficient in all three cases, whether because of their "oligopolistic nature" (European Commission 2010b: 26), because of "wage increases significantly and persistently above productivity growth" (European Commission 2011a: 14), or because of "wage growth [which] remained high while productivity gains declined to rates more comparable with those in the euro area" (European Commission 2011b: 10). Nor was this the first time that Germany formed the benchmark from which other European countries constitute aberrations.

Discussing national competitiveness in Eurozone comparison in 2009, the European Commission concluded that, "with its comparative advantage in investment goods and its cost and price effectiveness in terms of the real effective exchange rate (REER) remaining broadly intact, Germany is well placed to benefit from the recovery" after 2009 (European Commission 2010c: 56).

#### 4.4 The German core as a European structure

The constructed structure of these methodologically nationalist indicators – and, indeed, of the supposedly national economy they ostensibly measure – significantly complicates nationalist debates about bailout as well as cohesion payments (Holman 2004: 725). Such complications arose well before the so-called Eurozone crisis: as early as 2005, in the course of deciding upon

---

27 Other major indicators of competitiveness are likewise methodologically nationalist: governmental inefficiencies and 'red tape' (European Commission 2010b: 18-20); "exports markets shares" (European Commission 2011a: 7); sectoral imbalances and current account deficits (European Commission 2011b: 10). Each of these requires an aggregation analogous to the methodologically nationalist operationalization of real effective exchange rates or GDP.

the 2007-2013 European Union budget, “Germany [was] tired of being the EU paymaster” (Afhueppe et al. 2005).<sup>28</sup> Seven years later, similar sentiments arose again when parts of the German public demanded Germany revoke its pledges to the ESM (Lachmann 2012). Yet, cohesion funds benefit regions, not countries (European Commission 2008: 4). Likewise, the ‘net giver’ countries are likewise internally differentiated, complicating the all-too-easy nationalist picture. The proper perspective to analyze this is therefore not the national level, but a view combining sub- and supranational levels.

Seen this way, German ‘net paying’ regions derive their wealth from the very exports of which ‘Germany’ is so proud. ‘Germany’ is a site traversed by flows whose nodes are dependent variables of European and global value-added flows. Abandoning methodological nationalism and assuming a subnational lens, three sets of payment streams internal to the site ‘Germany’ stand out in particular. This is partly because they provoke the same debates *within* Germany as payments to the Eurozone’s periphery do *for* Germany. Partly, however, analyzing these particular payment streams indicates that a subnational perspective, in the German case, is immediately a supranational perspective. This indicates that the so-called German economy is itself divided into a core and a periphery, each of which is in turn embedded into European economic streams.

---

28 Even on a methodologically nationalist level, the available data scarcely supports this perspective. To be sure, Eurozone member and subsequent GIIPS country Greece was the largest recipient in 2006 at 3.59 per cent of its GNI (Luxembourg's 4.34 per cent largely result from administrative expenditures relative to a very small economy and are therefore excluded here), followed by Lithuania, Latvia and Malta as well as Portugal, the second largest Eurozone and crisis country recipient (2.44 per cent relative to its GNI) (*ibid*: 21). Yet, complaints about ‘net takers’ are politically exaggerated. France received most EU funds in 2006, with Spain second and paymaster Germany ranking third (European Commission 2007: 20). To be sure, Germany and France also contributed 37.7 per cent of the EU’s 2006 budget revenue, making them the largest net paying countries (Germany: 20.1 per cent; France: 17.6 per cent). It should not be neglected, however, that in terms of Germany’s and France’s GNI, both countries contributed a below-average amount to the EU budget: 0.76 per cent of GNI in Germany in 2006; 0.85 per cent in France; compared to 0.86 per cent in Greece, 0.9 per cent in Spain, and 0.85 per cent in Portugal (*ibid*: 31). Seen through the lens of these data, the payment debate loses a lot of its urgency.

Large payment streams connect structurally strong regions in former West Germany and the less fortunate regions in former East Germany. The most prominent of these is the *Solidaritätszuschlag* (solidarity premium) is a 5.5 per cent tax federally added onto all income and capital gains taxes and originally disbursed federally to infrastructural projects in former East Germany, and increasingly throughout the Federal Republic (Teevs 2010). Other subsidies to East Germany included transfer payments within the *Solidarpakt* from West German states and the federal government to East German states as well as transfers as part of the process of German monetary union in 1990 and 1991; along with a variety of smaller payments. The total volume of transfer payments from West German to East German states, while never officially assessed, is estimated to have had a net value of approximately €1.3 trillion by 2009 (Graham 2009). There are considerable criticisms of these transfer payments, mirroring the European discourse pitting 'givers' against 'takers' (Lehmkuhl et al. 2012).

These intra-German solidarity payments are embedded into European payment streams. European Union cohesion funds are primarily disbursed to "Less Developed Regions" in the EU whose GDP is less than 75 per cent of the EU's average (European Commission 2014b). Prior to the 2004 enlargement in Eastern Europe, this included all East German regions except the Leipzig-Halle industrial region (European Commission 2006: 10-13). After the EU average was lowered considerably with the 2004 and 2007 accessions, East German regions continue to receive payments, but are now classified as "Transition Regions" in the 2014-2020 budget, which reduces the amount of targeted EU disbursements; again with the exception of the Leipzig-Halle region (European Commission 2014b).

Moreover, a significant amount of the economic activity accounted as German originated and terminated outside of Germany. This goes beyond Germany's status as "the main transit

country for freight transport in Europe" (Wieland 2005: 119). For transnational corporations (TNCs) and small and medium-sized companies (SMEs) alike, Germany is a hub of logistics, marketing, and coordination, which is to say, a site coordinating production processes elsewhere. The country thus exemplifies a global tendency for "leading manufacturing firms in complex integral-architecture sectors, such as motor vehicles and machinery" to "expand operations into developing regions in an effort to compete more effectively for local market share" (Herrigel 2010: 177). A paradigmatic example for this in the German case is the Porsche Cayenne, of which Hans-Werner Sinn has said that it "is seemingly produced in Leipzig, but in truth the assembly line is located in Bratislava, Slovakia" (Sinn 2006: 1161). Radicalizing this perspective, I argue in this section that the ostensibly German economy is, in fact, a European integrated trading platform rather than a national economy; coordinating production sites outside of Germany in a "multi-layered, multi-networked structure of trade patterns, which cannot be apprehended by using the categories of countries as units of trade and competition" (Castells 2010: 115).

More precisely, the so-called German economy predominantly consists of hubs concentrated in only three of the sixteen states: Hesse, Bavaria, and Baden-Württemberg. These three states are the only net payers in the *Länderfinanzausgleich* (inter-state equalization payments). All other states receive funds (Schäfers 2014). More precisely, all German states below a certain threshold – generally speaking, an average of taxation revenue per capita<sup>29</sup> – are eligible to

---

29 The indicator in question is a differential: the *Finanzkraftmesszahl* (real revenue derived from taxation as well as income from natural resources) is subtracted from the *Ausgleichsmesszahl*, which indicates the state's hypothetical revenue generated if its revenue per capita were identical to the mean of all German states over the fiscal year. The latter contains a variety of exceptions – population in city states is counted at 1.35 persons per capita in non-city states, along with three further exceptions. Further complications are derived from weighted payments states derive out of municipal revenue as well as several mechanisms of weighing federal subsidiary payments. If a state's *Finanzkraftmesszahl* is larger than the *Ausgleichsmesszahl*, i.e., if a state's real revenue is above the mean of per capita revenue (subject to the weighings, measurements, and exceptions mentioned), it is a 'net giving' state.

receive disbursements from the fund (BverfGE 101, 158). The high concentration of the so-called German economy is thus not only the source of considerable tensions between 'net payers' and 'net takers' within Germany (The Economist 2014). It also reflects a real structural distinction between Germany's internal core and periphery (Lichtblau et al. 2005). Three states, according to the revenue-per-capita index used by the *Länderfinanzausgleich*, contribute the vast majority of so-called German residentially delineated value added (Eurostat 2015a). Yet, an analysis of these three states – Hesse, Bavaria, and Baden-Württemberg – shows that the value added by these states is in turn only German by methodologically nationalist axiom: its vast majority is derived from activities coordinating activities originating or terminating outside of Germany and, in many cases, not even reaching its territory.

Hesse is the northernmost of the three net paying states in Germany. Among EU-27 regions, the Darmstadt county (*Regierungsbezirk*) in Hesse's South, which comprises Darmstadt and Frankfurt am Main, ranked eleventh in terms of GDP per capita in 2010, at 163 per cent of EU-27 average (Eurostat 2013b: 2). During the so-called crisis, the strength of the Hessian economy was noted on several occasions. In 2012, the Hessian chamber of commerce (IHK) had noted that, while "the Euro-crisis is leaving its marks in the Hessian economy" and "despite all uncertainty, the economy of Hesse continues to rest on stable foundations. The companies of the region are well-equipped and competitive" (IHK 2012).<sup>30</sup> In line with the austere transposition, this strong Hessian economy was attributed to Hessian wage restraint engendering an "encouraging stability on [Hessian] labor markets" after 2007 (Kuhn 2010). Likewise operationalized as austere and domestic, wage restraint and labor flexibility were combined in Hesse with infrastructural investments creating an environment conducive to business

---

30 Author's translation from German: "Die Euro-Krise hinterlässt auch in der hessischen Wirtschaft ihre Spuren [...] Trotz aller Verunsicherung steht die Wirtschaft in Hessen aber weiterhin auf stabilen Beinen. Die Unternehmen in der Region sind gut aufgestellt und wettbewerbsfähig."

investments (Remmert 2011). Thus, Hesse signified the greatest possible contrast in terms of austere benchmarking to the “daunting structural challenges” prevalent in the Eurozone periphery (European Commission 2011a: 14): “We will not indulge in orgies of subsidies, as they are sometimes known from other countries,” as Hesse's then-Minister of the economy Florian Rentsch had put it (Rentsch 2012).<sup>31</sup>

Yet, Hesse's economy during the so-called crisis can scarcely be described as the self-contained site of economic virtue required by these proclamations. Among Hesse's ten largest employers in 2013, five are internationally active logistics companies whose business is largely derived from foreign sources: air logistics giant *Deutsche Lufthansa* (ranked 1st), European transport company *Deutsche Bahn* with its hub in Frankfurt (3rd), the *Fraport AG* which runs the Frankfurt airport (4th), Deutsche Post (5th), and the Commerzbank (6th), the only bank on the list because the Frankfurt banking giants employ relatively few people (Helaba 2013: 10). Lufthansa, Fraport, Deutsche Bahn, and Deutsche Post all generate their revenue from the German specialization as “transit country” (Wieland 2005: 119).

The majority of these activities do not originate or terminate in Germany nor, *a fortiori*, in Hesse. Operationalizing them as domestic to either requires a methodologically nationalist axiomatic approach. Likewise, *Deutsche Telekom*, providing telecommunications services and Internet service, mostly generates revenue in non-German Europe: of its mobile customers in 2013, three quarters resided outside of Germany – and a third in the United States (Deutsche Telekom 2014a). In terms of its ownership structure, too, *Deutsche Telekom* is firmly internationally integrated: 67.1 per cent of its shares were not German-owned as of 2014 (Deutsche Telekom 2014b).

---

31 Author's translation from German: “Subventionsorgien, wie man sie bisweilen aus anderen Ländern kennt, wird es mit uns nicht geben.”

Among the remaining five companies, only one can be described as adding value almost exclusively in Germany: the *Rewe* group, a chain of supermarkets and the second-largest employer in Hesse, generated 72 per cent of its revenue and employed two thirds of its employees within Germany in 2013 (REWE Group 2013). Yet, its value-added mostly consists of 'downstream activities': in this case retail logistics, which are as distributive and internationally orchestrated as those of the five preceding companies (Sinn 2006: 1160-1162). The remaining three companies on this list are car producers, the aforementioned German staple product (Destatis 2014a). However, *Volkswagen* (tied 7th as employer in Hesse), *Opel* (10th), and car supply producer *Continental* (tied 7th) are likewise generating international rather than 'German' value-added; in terms of their production structure or, in Opel's case, ownership (Shields et al. 2011). *Volkswagen's* Porsche Cayenne has already been mentioned as anecdotal example indicating this (Sinn 2006: 1161). Volkswagen as a whole is a model case used in economics classes for the diversification of its production plants, differentiating its production of components, motors, and car assemblages throughout Europe and other global sites – coordinated, but not situated in Germany (Schmid and Grosche 2008: 8-10). In all three cases, automobile producers are embedded in networks of "[c]omponent suppliers [which] come in all shapes and sizes," from "giant grocery store supply firms" such as Canadian parts producer Magna or indeed Hesse's Continental to

thousands of small- and medium sized specialist firms who have diversified a step up or down the supply chain in order to capture the value that their newly acquired development and design capacities have created (Herrigel 2010: 155-156).

Not least, Hesse is the site of the second-largest European financial district after Canary Wharf in London. The banking sector in Frankfurt operates on an integrated European field after European Monetary Union in 2001. This trend is marked by increasingly pan-European

portfolios after European Monetary Union as well as increased interbank lending leading to increased counterparty risk exposure and increasingly correlated co-movements of bank stock prices across European borders (Schüler 2002: 149; Lane 2006: 53; Claessens et al. 2010). Geographically, the global integration of the Frankfurt trading platforms is noteworthy: German banks and institutional investors traded in Frankfurt, like *Deutsche Bank*, operate in the United States. Frankfurt's trading platform, *Deutsche Börse*, hosts trade from far more than just Eurozone countries (Lo Conte 2009: 345).

Reduced to a merely national scale, none of the above would generate value to more than a drastically reduced extent, if at all. Speaking of the economic activities occurring in the sites of Hesse as a German value-added, therefore presupposes a methodologically nationalist ascription arguing that activities occurring outside of Hesse or Germany are Hessian or German in character merely because revenue streams flow to Hesse. Doing so requires a methodologically nationalist axiom that Germany (or indeed the state of Hesse) is the unit of analysis, which is at once superfluous and obfuscates supranational connections. It is superfluous because Hessian value-added benefits from geographical concentration in the subnational hubs of Frankfurt, Darmstadt, and Wiesbaden, but not from its German character. Moreover, it obfuscates its supranational character; in logistics and the FIRE sector, in cars and supply products.

The same can be shown for Bavaria. In terms of net payments by German states, Bavaria occupies the top spot, contributing about half of all intra-German transfer payments in 2012 (The Economist 2012b). Furthermore, in terms of its 2010 GDP, the *Oberbayern* (Upper Bavaria) region (comprising the cities of Munich, Ingolstadt, and Rosenheim) ranks thirteenth of all European regions, at 161 per cent of the EU-27 average. Like Hesse, the state of the Bavarian economy seems to have been good throughout the Eurozone crisis. For example, unemployment

among all European regions was lowest in the aforementioned Bavarian region *Oberbayern*, at 2.6 per cent in 2013 according to Eurostat data (2014d: 2). Youth unemployment in particular was at a mere 4.4 per cent in Oberbayern in 2013, altogether negligible compared to 55 per cent in Greece in 2012 or 53 per cent in Spain (*ibid*).

Yet, a closer look at the Bavarian economy reveals structures similar to Hesse, with similar dependencies upon foreign – European and global – value added. Its economy consists mainly of hubs of internationally oriented businesses. The city and region of Munich is the site of the global and European headquarters as well as substantial hubs of companies of the automobile industry (BMW, Audi) as well as utility vehicle and car part production (MAN); IT corporations (Siemens, Nokia, Infineon, Microsoft); media conglomerates (TV production company ProsiebenSat 1; publisher Burda); and arms production (EADS, Krauss-Maffei). Just as in Hesse's case, however, their operations would not be viable without multinational networks. BMW, for example, purchased 47 per cent of its supplies from Germany in 2013; with 19 per cent delivered from Western Europe, 17 per cent from Middle and Eastern Europe, and 12 per cent from the NAFTA region (BMW Group 2013: 94). Moreover, the figure of 47 per cent German supply purchases may be viewed with considerable suspicion since the BMW Group purchases a sizable amount of these from its German subsidiaries who in turn purchase elsewhere (*ibid*: 97-100). Siemens, too, is a transnational hub coordinating purchases from all over the globe: as of 2013, its supply chain comprised 90,000 suppliers from 172 countries (Siemens 2013: 13). Finally, EADS (as of 2015: Airbus Group), whose subsidiary *Airbus Defence and Space* is headquartered in Munich, is a Dutch-German-French joint venture, ultimately becoming a global producer of commercial aircraft and aerospace products as well as military equipment (Airbus Group 2014).

The value added by these companies is realized almost entirely in production and circulation processes which are located outside of the state of Bavaria. As in Hesse, one needs to proceed from a methodologically nationalist axiom to account for it as Bavarian value added. Seen without this axiom, the value added by the largest Bavarian companies is almost entirely dependent on non-Bavarian value added. It consists of supranational flows connecting subnational hubs, not a national (or statal) economy in any sense other than an axiomatic presupposition. Likewise, this axiom is superfluous since economies of scale and scope obtain in Munich or Augsburg, but not in 'Germany' or Bavaria.

Furthermore, this holds not only for the state's largest companies. To be sure, Bavaria's small and medium-sized manufacturing companies are engaged in production processes physically situated in Bavaria since “[t]he continued existence of valuable expertise and human capital, proximity to customers, needs for short-term flexibility in the global allocation of capacity within MNCs – all make manufacturing 'sticky' in the developed world” (Herrigel 2010: 179-180). Yet, they are as much internationally oriented as the largest companies situated in Bavaria. This is particularly important since “the *Mittelstand* is the backbone of the German economy” (Kollewe 2012b). As such, it is often linked to the moral sentiments of local manufacture as well as the ideal of austere thrift (Kollewe 2012a). According to the Bavarian state ministry for the economy, media, energy, and technology (2014: 18), 52.2 per cent of all products of Bavarian manufacturing were sold to foreign countries, making the state more export-oriented than Germany at large (45.8 per cent in 2013). The total volume of imports and exports of the Bavarian manufacturing sector alone was €313.6 billion (*ibid*: p. 16). This constituted 16 per cent of the total German export/import volume in the same year (Destatis 2014f).

The success of the Bavarian SME manufacturing sector depends as significantly on non-

domestic factors as that of Hesse's transport hub. Evidence for this can be found in the effects of the Great Recession; particularly because the foremost Bavarian export destination are the United States, though its share has been declining from 13.2 per cent to 11.3 per cent of all Bavarian exports. Bavaria's manufacturing exports, steadily expanding since 2003 by about €10 billion per year on average, rose by only €2 billion from 2007 to 2008, and declined by €32 billion between 2008 and 2009. The so-called Eurozone crisis took a toll on Bavarian exports as well: after a moderate decline in annual growth from 2009/2010 to 2010/2011, a more marked decline occurred between 2011 and 2012 (€5 billion) and 2012 and 2013 (€3 billion). In the same time period, imports declined by approximately the same volume, resulting in a nominally steady export surplus between 2003 and 2013 (Bavarian Ministry of Economic Affairs and Media, Energy and Technology 2014: 16).

This indicates a Bavarian dependence on exports to European countries similar to that of 'Germany' discussed above. Indeed, after Austria (8 per cent of Bavarian exports in 2013), which has been affected less by the so-called Eurozone crisis since it is situated in the 'core' asset class, Bavarian exports mostly went to France (7 per cent); Great Britain (6.5 per cent), and Italy (6.1 per cent) (Bavarian Ministry of Economic Affairs and Media, Energy and Technology 2014: 17). Italy's involvement in the GIIPS group as well as its structural problems discussed in chapter six, Great Britain's homegrown austerity measures, and France's ongoing growth problems during the so-called crisis thus explain the decline of Bavaria's export growth during the so-called crisis (Allen 2010; Ashbee 2011; Belke 2012: 685; Cohen 2012: 695). Yet, again like 'Germany,' Bavaria was able to offset the detrimental effects of the European growth crisis by substituting exports to China (Lucarelli 2011: 214). China ranked second among Bavarian export destinations at 9.2 per cent of all exports in 2013. This figure has grown from 3.7 per cent in 2003 (Bavarian

Ministry of Economic Affairs and Media, Energy and Technology 2014: 17). This implies that the supposedly 'German' ability to substitute Chinese exports for European 'peripheral' demand is actually to a significant extent a Bavarian ability.

As in Hesse, therefore, Bavaria's economic strength, both in transnational corporations and in its small and medium-sized sector, closely corresponds to its low production depth (Sinn 2006: 1160-1162). As shown above, Bavaria's core industries are hubs coordinating international value-added processes situated outside of Germany's geographical borders – similar, in this regard, to the companies in Hesse orchestrating logistics traversing Germany. The extent to which the Bavarian economy is situated in Germany's geographical borders may be larger than in Hesse since Bavarian firms are engaged in direct manufacturing activities to a more significant extent. Yet, smaller Bavarian companies, even if regionally integrated, are only viable depending on production processes which do not occur within Bavaria's borders. Its practices, too, are not *domestic* best practices.

The third 'net paying' state in the so-called German economy is Baden-Württemberg. It is remarkable because the region of Swabia (*Schwaben*) with its stereotypically thrifty population is situated here (Kollewe 2012a). Its wealth therefore takes on special significance within European austerity discourse (Lynn 2010: 75-92; Young and Semmler 2011: 7; Kollewe 2012a). Like Bavaria and Hesse, Baden-Württemberg is noteworthy for its high standard of living. According to Eurostat data, the citizens of Baden-Württemberg enjoyed a GDP level per capita at 138 per cent of EU-27 average in 2011 – at the height of the so-called Eurozone crisis (Eurostat 2014f: 3). According to the German consumption research group GfK, for the year 2011, "Baden-Württemberg [had] the lowest share of low-income earners at 9.8 percent." Moreover, "[a]t 4.5 percent, Baden-Württemberg ranks third in terms of top-income earners with a monthly net

income of more than €7,500" (GfK GeoMarketing Staff 2011). Finally, unemployment was remarkably low in the state. In December 2012, unemployment in the region Tübingen was at 3.2 per cent of the population according to the German Department of Labor (Bundesagentur für Arbeit 2014). Simultaneously, Tübingen had Europe's lowest youth unemployment in 2013, tied at 4.4 per cent with the abovementioned Bavarian region of Oberbayern (Eurostat 2014d: 2). In the more pastoral regions, like far Southern Biberach, unemployment was as low as 2.8 per cent in December 2012 (Bundesagentur für Arbeit 2014).

As in Hesse and Bavaria, this depends on a specific sub- and supranational production structure within European and global value-added streams. Baden-Württemberg's businesses are integrated into the global economy to a degree comparable with Bavaria's. Indeed, its businesses' export quota is even higher than Bavaria's, at 52.6 per cent in 2013 (Bavarian Ministry for Economic Affairs and Media, Energy and Technology 2014: 18). At the same time, its production depth is even shallower than that of Bavaria. Most of the economic activities performed in Baden-Württemberg are downstream activities dependent on foreign circulation: coordination, research and development, final assembly (Einwiller 2012: 24-30). According to Eurostat data, Germany contained the highest degree of innovative enterprises of all EU- 27 member countries in 2008-2010 (Eurostat 2013a). Indeed, innovation indicators such as research and development expenses, employment in high-technology and knowledge sectors, etc. were strongly regionally concentrated in the South-West of Germany in 2007-2011 in European comparison, particularly in Baden-Württemberg (Hollanders et al. 2012: 51-60).

Firms whose headquarters are situated in Baden-Württemberg are exemplary for maintaining "ever more extensive subcontracting networks" outside of the state for over a decade (Sabel 1994: 125). Much like Bavaria, Baden-Württemberg hosts internationally active automobile and

machinery companies – Daimler, Porsche, Audi, and Bosch. “Such firms are increasingly locating competence for the development of specific products in distinct plants in high-wage locations” (Herrigel 2010: 176). Yet, these plants are “also responsible for transferring the new product and equipment needed to manufacture it to all the low-wage production locations in which the multinational supplier operates” (*ibid*).

Mostly, however, Baden-Württemberg is notable as a rentier economy whose wealth is mostly older than 55 and rural (Rotfuss and Westerheide 2008: 27-34). Just as Bavaria hosts the hubs responsible for the supposedly German ability to offset European lack of demand with East Asian demand, Baden-Württemberg was the site hosting large parts of the liquidity flowing from Germany to the European periphery and back between 2003 and 2007. Rather than attracting significant small and medium-sized manufacturing, as Bavaria does, Baden-Württemberg is a hub of the residences of capital owners whose investments go abroad and inflate European peripheral financial circuits (Sinn 2006: 1166). In 2008, households in Bavaria and Baden-Württemberg were wealthier, on average, than their remaining German counterparts, and the savings quota for households in Baden-Württemberg is higher than anywhere else in Germany's geographical borders (Rotfuss and Westerheide 2008: 14-24). Once more, the subnational hub is directly embedded into supranational payment streams. 91 per cent of wealth in Baden-Württemberg was invested in real estate, bank deposits, and insurances immediately before the American financial breakdown in 2008 reached Germany (*ibid*: 25-26). All three of these were connected to the global FIRE sector (finance, insurance, real estate) payment flows and thus to the 2007-2008 turbulences as well as their European ripple effects after 2008 (Hau and Thum 2009: 707-710; Shambaugh 2012: 214-216). The Bundesbank corroborates Baden-Württemberg's as well as Hesse's relatively higher household wealth relative to other states for

2013 as well as its rentier composition (Deutsche Bundesbank 2013: 33-34).

The so-called German economy is therefore composed of internal payment streams originating from the hub regions of Hesse, Bavaria, and Baden-Württemberg. Yet these, in turn, are almost totally dependent upon being embedded into international manufacturing connections and payment flows. All three of them are situated on the downstream of European and global value-added chains: high-tech production, global design and coordination, financial services. All of these coordinate payment streams outside of Germany, or organize the transfer of goods streams outside or across Germany. At most, they design, assemble, and most importantly consume goods originating outside of Germany. Each of the three fills a niche in the integrated European economy: Hesse coordinates, Bavaria assembles, Baden-Württemberg consumes. That the businesses doing so are situated in Germany legally does not make their value-added any more German than the funds from European flights-to-safety are German funds. Assuming otherwise requires axiomatically assumed methodologically nationalist presuppositions.

Economies of concentration in scale and scope can be thus found in Munich and Augsburg, Frankfurt and Stuttgart, but not in 'Germany.' The remainder of the political economy of German territory shows similar patterns. Hamburg and Bremen, city-states with clear maritime orientation, are quintessential subnational value-added hubs embedded into and dependent upon supranational value-added flows (Merk and Hesse 2012). In this, they are quite successful: Hamburg, for example, ranked fourth in European GDP per capita in 2010, at 203 per cent of EU-27 average (Eurostat 2013b: 2). Other similar examples include Wolfsburg, where Volkswagen has its headquarters; Berlin, a world-renowned tourist and political economy; Halle-Leipzig, a creative and chemistry hub; or Cologne, home town of a significant part of Germany's entertainment industry.

#### 4.5 Austerity Revisited

In each of these cases, subnational hubs coordinate supranational value-added streams. The methodologically nationalist axiom contributes only superfluous designations to their analysis. It does, however, fulfill a purpose for the constitution of Germany as austere benchmark. Germany's benchmark position is a result of the austere transposition of a set of sub- and supranational trading platforms to an austere national economy. As discussed above, this transposition aggregates the internal labor cost differentiation along a South-North and a West-East axis to a supposedly German national competitiveness indicator (Krieger-Boden 2008: 144).

Underneath this aggregate, the ostensibly German real economy fits seamlessly into the general structure of the real European economy's differentiation into a supranationally interrelated set of subnational core and periphery regions of its real economy. Unlike the 'core'-'periphery' differentiation projected at the behest of the European banking circuitry and sustained for austerity's field of moral condemnation, the real core and periphery of Europe are not nationally differentiated into supposedly weak versus strong national economies, as some have argued (Molina and Rhodes 2007; Streeck 2015). Rather, throughout Europe, the austere transposition reinforcing the banking circuitry's country-fundamental transposition creates national economies by aggregating subnational cores and peripheries – as seen above for German labor cost aggregated throughout the countries' Eastern and Western parts.

The European core of supranationally connected subnational regions, as the German case shows, is integrated and benefited from the so-called Eurozone crisis (Gore and Roy 2012; Krugman 2015). Here, a European supranational network connects hubs surrounding the European banking circuitry. These hubs are national only in the cases of small economies, such as perennial statistical outliers Luxembourg and Liechtenstein (European Commission 2014b).

As the recent Luxleaks scandals have shown, these hubs profit quite generously from more or less legal arbitrage opportunities arising in the context of the so-called Eurozone crisis (Baboulias 2014). Other parts of Europe's supranationally connected core are cities within countries (Frankfurt, Barcelona, Dublin); regions differentiated within countries (Basque country, Tuscany, Bavaria); or sectors within cities (in Athens, the FIRE and shipping sectors are quite distinctly more profitable than the remainder of the city, as were the banking and housing sectors in the 'bubble' economies of Spain and Ireland) (Royo 2008: 119; Palcic and Reeves 2011: 182-183; Kaplanis 2011: 230; Guerreri et al. 2012: 181). Each of these is integrated across Europe, and indeed globally, in goods and payment streams (Royo 2008: 147-148). Each of them has benefitted, one way or another, from the so-called crisis.

Opposite to these is the European periphery, carved out and subjected to ever increasing welfare retrenchment by austerity, and supplying the labor cost competitiveness of the core's nationally aggregated indicators (TPTG 2011b: 257; Simó and Vilà 2012). This periphery consists primarily of the regions receiving EU cohesion funds: particularly large parts of 2004 accession countries such as Romania, Bulgaria, and Poland (European Commission 2014b). In the Greek case, anything outside Athens and some of the wealthier *Kyklades* is peripheral (TPTG 2011a: 124). In Spain, a distinction can be made between the Basque region on one end, and Asturias on the other end of the income spectrum (Lastra-Anadón 2014: 168). Portugal and the Italian *Mezzogiorno* are likewise examples (Reis 2013; di Nino et al. 2013).

Continuing an older trend, the European periphery has been subject to deindustrialization throughout European Monetary Union and its so-called crisis; first by credit-based expansion into the periphery, then by austerity (Lucarelli 2011; Guillén 2012). The German periphery is no exception. The East German economy in particular has been subject to a post-1989 "massive

deindustrialization [which] took place to an extent that is unique among the transition countries in Central and Eastern Europe,” yet which was not unique in kind (Soltwedel et al. 1999: 35).<sup>32</sup> This corresponds to higher unemployment, higher wage inequality, and higher social expenses in East German regions vis-a-vis their West German counterparts (Biewen 2001: 188-189). In European comparison, the latter make the East German periphery one of the wealthier peripheries – since 2004, the EU has been phasing out cohesion payments to East German regions as they are now above the threshold of eligibility in terms of GDP per capita (European Commission 2014b). Nevertheless, East German regions remain relatively poor. In Mecklenburg-Vorpommern and Saxony-Anhalt, for example, the populations on the welfare roll even in the boom year of 2005 were at 15 and 14 percent, respectively, as opposed to 4 percent in Bavaria and Baden-Württemberg and 6.5 percent in Hesse (ZEFIR Datenpool 2005). These regions thus belong to the European real economic periphery whose totality is measurably distinct from the European core and which does not consist of peripheral *nations* as opposed to core nations (Aigiger et al. 2012: 4-5; cf. Baudelle and Guy 2003).

I show in subsequent chapters that the very same transposition constituting the so-called German national economy constitutes those of Greece (chapter five) as well as Spain, Portugal, Ireland and Italy (chapter six). Unlike these, however, the so-called German economy is capable of being posited as an austere benchmark economy. As described in chapter three, austerity policies destroy as much of the social fabric subjected to them as possible, endlessly reinforcing themselves, while simultaneously upholding the country-fundamental transposition serving in turn the European banking circuitry. They create a two-tier society (Kaplanis 2011; Rombach 2013). This continues an older trend particularly in Germany (Streeck and Hassel 2003).

---

32 The exception here was – and is – the abovementioned Leipzig/Halle region, whose chemical plants Buna and Leuna as well as Leipzig's thriving creative industry are well-connected in European comparison (European Commission 2014b).

Significantly benefitting a narrow core of downstream and service sector activities with high capital endowments and employing high-skill, high-wage labor, austerity policies unleashes the destructive energies of moral condemnation upon the remainder of the low-skilled, low-wage labor pool subject to austerity's worst social pressures (Blyth 2015: 267-269).

The 'German' economy is structured ideally for survival in an austerity economy. It consists of the core described above – Hesse, Bavaria, Baden-Württemberg – not reliant on significant domestic demand and capable of offsetting the breakdown of European peripheral demand. This core is surrounded by an economically and socially disadvantaged second-tier society which extends beyond the East German regions mentioned above. Germany as a whole was subject to a drastic increase of inequality after 1990 and *a fortiori* after European Monetary Union: “[r]eal wages at the 15th percentile fell dramatically from the mid-1990s onwards. From the early 2000s onwards, median real wages started to fall, and only wages at the top of the [income] distribution continued to rise” (Dustmann et al. 2014: 170). German proto-austerity thus paved the way for creating an “economy that excludes the many” akin to that in Greece and Spain, Portugal and Ireland and Italy (Kaplanis 2011).

Upon first glance, this did not seem to be the case during the so-called crisis. On the contrary, the German labor market did not appear to be in significant distress at all. The so-called Eurozone crisis – i.e., austerity – created a European pool of labor migrating to Germany. European labor markets are integrated under Common Market principles (McCormick and Olson 2014: 265-270). Despite the populist fears that this policy has created, Germany's high-tech sectors depend on highly skilled migration, particularly from the Eastern European 2004-2007 accession countries (Dettmer and Puhl 2011). This is in line with the so-called German economy's specialization in capital-intensive sectors which require highly skilled, yet cheap

labor, similar to Ireland's and Spain's economies (Sinn 2006: 1169; European Commission 2011b). Highly skilled migration, particularly youth migration, from crisis countries has accelerated this development during the Eurozone crisis (Tholl 2014). Prior to 2009 citizens of EU accession countries, particularly Romania and Bulgaria, mainly migrated to Spain and Italy. After 2009, these were replaced with Germany as a destination (Kahanec and Fabo 2013: 8).

However, this is a positive development only from the perspective of the German core, as it increases German factor price competitiveness by increasing competition on the German labor market (Rombach 2013). Indeed, the German successes in the so-called crisis are officially explained with just this competitiveness: “Since 1995, Germany's competitive position has persistently improved, while the competitiveness of some of its main European trading partners has deteriorated (Spain, Italy) or remained close to the 1995 position (France)” (Dustmann et al. 2014: 169). A part of this is undeniably true. Prior to the early 2000s, “[s]low growth and high unemployment plagued Germany” (Young and Semmler 2011: 2). These were mostly attributed to wage and labor market rigidities (Sinn 2006: 1166). The *Hartz* and *Agenda 2010* reforms, by contrast, removed most of these rigidities and restructured German social welfare based on the *Fördern und Fordern* model (*Support and Demand*), which “drove down [Germany's] unit labor costs” and allowed it to “reinforc[e] its traditional high-productivity advantage by competing ... on the basis of low and falling unit labor costs” (Blankenburg et al. 2013: 465). Reforms such as the *Agenda 2010* have structured the German labor market to the significant disadvantage of temporary and other part-time workers whose labor and social protections have been sharply reduced compared with full-time workers (Annesley 2004: 56-58). As a result, a sharply two-tiered labor market structure has emerged in Germany, structurally similar to labor markets in austerity countries (Heinrich 2010: 161; Heise 2012: 45; Berend 2013: 19-20).

The Hartz reforms constitute a full restructuring of the German welfare state in line with its European counterparts (Hay and Wincott 2012: 194-221). Taking up its neoliberal antecedents and anticipating austerity's antidemocratic lineage, the Hartz reforms were implemented “[d]espite considerable public discontent and strong resistance in the coalition parties and trade unions” (Fleckenstein 2011: 78). The German labor market had hitherto been built upon somewhat generous Bismarckian welfare provision (Iversen and Soskice 2001). The Hartz reforms shifted it towards coercive activation. Employment services became output-oriented, unemployment benefits were cut, and sanctions were implemented: “[f]or claimants refusing to take up a job or integration measure, as well as for those showing insufficient personal endeavour, the benefit can be cut by 30 per cent in a first step for three months and a further 30 per cent for continued non-compliance” (Fleckenstein 2011: 87). Prime objectives of these measures were “tighten[ing] the demands on the unemployed” and shifting the “burden of proof to prevent sanctions” to them (*ibid*: 82). Thus, “unemployment has been redefined by Hartz IV from a structural problem to an individual problem. Now even the unemployed are facing one another in a competition shattering the last remaining solidarity” (von der Hagen and Romberg 2015: 20).<sup>33</sup>

In this, the German labor market structure matches that of the 'periphery,' just as it does in the day-to-day harassment to which migrant workers are subject (TPTG 2011b: 262). The conditions under which migrants work in Germany, for example, are part of a general trend to two-tier economies in neoliberalized European labor markets (Holman 2004: 725). Poorly regulated working hours, lack of social security, and frequent harassment by the German population make it likely that even highly skilled foreign workers in Germany are to be counted

---

33 Author's translation of: “Die Arbeitslosigkeit ist unter Hartz IV von einem Strukturproblem zu einem individuellen Problem umdefiniert worden. Nun stehen selbst Erwerbslose in einem Wettbewerb zueinander, der auch noch die letzte Solidarität zerbrechen lässt.”

in the losing side of European integration (Rombach 2013). Nor do citizens fare better. Neoliberal reforms, welfare state cutbacks and other austerity measures were applied throughout the Eurozone long before austerity was officially put on the agenda (Schäfer and Streeck 2013).

As for Germany, the resulting low factor costs are accounted for as national competitiveness (European Commission 2010a: 25). In turn, this 'competitiveness' index dissimulates the structural presupposition of the accumulation of capital in Germany's core – i.e., the core-periphery distinction – which is saved and invested abroad, contributing to German capital outflows and further strengthening its European competitiveness (Sinn 2006: 1172). Yet, are these reforms the origin of Germany's competitiveness, as some have argued (Deeg 2005)? Can “[f]inancial crises be damned,” and is this the reason “Germany stands as an economic beacon, with record employment and the lowest youth unemployment in Europe” (The Economist 2013)?

Based on the preceding sections, I reverse this explanation. Having shown that the so-called German economy does not conform to the methodological nationalism contained in labor competitiveness accounting (such as the real effective exchange rate indicator), I maintain that one must see the result of the *Agenda 2010* from the perspective from the so-called crisis, not vice versa. Germany is a methodologically nationalist actuarial aggregate, an austere phenomenon. Austerity is thus not a German success story, as the celebrations of German labor market reforms suggest. The German core is not German, but a European phenomenon, it is part of a supranationally integrated system of supranational hubs, not a national economy.

By the same token, its surrounding 'German' periphery must be seen as a part of the European real economic periphery. This periphery is an austere peripheral European economy created by the Hartz reforms, mirrored by similar austerity and proto-austerity in the GIIPS countries. It is not recognized as such, and in some ways better off, because of the skewed

perspective of actuarial aggregation and its political epiphenomena, the *Länderfinanzausgleich* and remaining German social safety payments. By the same token, Germany's two-tier structure, transposed to a methodologically nationalist austere economy, is viable in its benchmark status for reasons not replicable in the periphery: the GIIPS economies, as subsequent chapters discuss, belong much less to the European supranational core network and much more to the supranational periphery of Europe (Soltwedel et al. 1999: 35-39).

#### 4.6 Conclusion

The austere methodological nationalism supporting and morally overdetermining the country-fundamental transposition which, in turn, supports the European banking circuitry's portfolios, requires Germany to perform its role as methodologically nationalist benchmark. Yet, to establish German domestic practices as best practices, they must be constituted as domestic practices, i.e., separated from their non-domestic foundations. I have shown in this chapter that this separation is a European projection: austere best practices are projected as German practices, not vice versa. The country's real economy is an actuarial aggregate of regions. This accounting maneuver is a technical necessity upholding the European banking circuitry's differentiation between safety investments and risk/revenue investments (Schuknecht et al. 2010).

Yet, I have shown here that the presuppositions allowing Germany to fulfill this role are the exact opposite of what austere methodological nationalism requires. Underneath the 'core'-'periphery' differentiation between ostensibly national European real economies constituted by the first and second conversions of the austere transposition, there is another core-periphery differentiation of supranationally connected subnational regions. Germany, like Greece and Spain and indeed like all other Eurozone countries, encompasses both of these worlds. Germany's position in this aggregate is better, and this alone is the origin of its real and moral

benchmark position.

I have shown the German part of this in three respects. First, I have shown that Germany's fiscal "firepower" in payments and pledges to the EFSF and ESM rescue facilities is part of European payment streams rather than the result of German virtuous austerity (Schild 2013: 27). Second, accepting provisionally that a German real economy exists, I have shown that that economy's viability stems from its embeddedness into European and global trade flows. Third, dropping this provisional assumption, I have given a non-nationalist analysis of the geographical structure of the supposedly German economy.

Germany's payments and pledges to EFSF and ESM, which made it the foremost proponent of European austerity as late as summer of 2015, are not so much derived from the German economy's size, but are rather a function of its liquidity-solvency conversion. I have argued that its GDP's size in itself would not guarantee Germany's ability to supply European rescue mechanisms with funds and pledges. Rather, the source of its fiscal wealth throughout the so-called crisis have been 'flights-to-safety,' lowering Germany's sovereign bond interest rates and thus easing its access to funds proportionally to the GIIPS countries' interest rate hikes (Schuknecht et al. 2010; Dany et al 2015). This way, Germany's economic heft is the result of European portfolio allocations, not national virtue.

Likewise, the ostensibly German real economy, even if one provisionally accepts methodologically nationalist accounting assumptions, functioned in the so-called crisis only because of its irreproducible export structure. Particularly, I have shown that this export orientation was able to successfully substitute Asian demand for diminishing European demand, which allowed the ostensibly German real economy to emerge largely unscathed from the austere policies imposed upon its European trade partners. The German fundamental's parasitical

financial profits through flights-to-safety can thus go hand in hand with the country's continued and equally parasitical real economic well-being.

Dropping the methodologically nationalist assumptions behind Germany's export orientation, in turn, shows that Germany is not a national virtuous 'core' country as opposed to the GIIPS periphery, as banking sector carry trades require. Rather, it contains an internal core-periphery duality. German value-added is created to an overwhelming extent in only three of the sixteen states – Hesse, Bavaria, and Baden-Württemberg – constituting the core of the ostensibly German economy. Yet, as the analysis has shown, this 'German' economy is more accurately described as a set of supranationally integrated subnational regions forming a core, and their internally peripheral counterparts. Hesse is home to a significant number of internationally operative logistics firms whose work consists in coordinating transfers which, at most, traverse German territory. Frankfurt am Main, moreover, is the geographical location of the Eurozone's largest banking concentration, including the ECB itself. Baden-Württemberg contains some European and global manufacturing businesses designing and assembling goods produced elsewhere, yet mostly contains a rentier capital economy managing and distributing surplus revenue generated outside its state borders. Bavaria is home to large- and medium-scale manufacturing businesses likewise engaged in design and assembly, along with central hubs of logistics and arms manufacturers. In no sense is the majority of the revenue assembled in these three states generated in them; nor in Germany.

Yet, the methodological nationalism generating the economy containing them claims austere successes. In the final section of this chapter, I have shown that this is true in two respects: Germany is at once the model of austerity with regard to its regional core and periphery. The former ostensibly fulfills the role attributed to the country as a benchmark. To do so, however, it

depends on the latter, which is a model of austerity in the opposite sense of austere benchmark accounting. Here, migrants and citizens of the German periphery alike are subject to conditions engendered by *Hartz* and *Agenda 2010* reforms which removed labor protections, enhanced competition, depressed wages, and generally engaged in neoliberal austerity before the so-called crisis. It is not, therefore, due to the *Agenda 2010* that Germany is a successful benchmark. Rather, its position as such is due to its internal core-periphery duality, actuarially aggregated in austere methodological nationalism. What celebrations of the *Agenda 2010* attribute to its domestic reforms is rather the result of Germany's successes in parasitically syphoning European and global value-added to its core. Just as Germany's fiscal well-being in the so-called crisis has been maintained by flights-to-safety, its ostensibly national real economy is projected on a European scale over a supranational network of interconnected flows of payments and goods.

Germany is therefore the Eurozone's benchmark by the same token that Greece is its principal aberration. Neither of the two is an independent variable. Rather, the so-called crisis – which is to say, the European banking circuitry – projects both of them and their respective special status: it projects both of them *as* their special status. Germany and Greece are polar opposites for the purposes of portfolio allocation; beyond that, there are only mirages created by methodologically nationalist accounting.

## Greece

My argument in this chapter is that the classification of Greece as a special site in the so-called Eurozone crisis has not only had devastating effects upon Greek politics, but was also not warranted. To be sure, when left-wing anti-austerity party SYRIZA gained an electoral plurality and subsequently formed a coalition government in the Greek parliamentary election on 25 January 2015, this seemed to vindicate Greece's position as the principal European antagonist to austerity, a national site decisively concentrating all contradictions contained in it (Douzinas 2013; Alderman 2015). As Alexis Tsipras, SYRIZA party leader and designated Prime Minister of Greece, stated on the eve of SYRIZA's victory: "We are regaining our lost dignity... Now that we are heard by all of Europe, we will fight with the same passion, the same confidence..." (cited in Mullen and Shoichet 2015). Tsipras further argued that the success of SYRIZA in January and again in the June 2015 referendum, where a majority of Greeks voted against continued austerity, was not just a Greek decision, but could signal a European rejection of austerity (Francis 2015).

Moreover, as the country whose economy was most affected by austerity's destructive contraction, Greece seemed ideal to be posited as the polar opposite of benchmark Germany for all possible 'crisis' narratives. After all, Greece was widely blamed for catalyzing the so-called crisis. Lumping it together with Italy, Ireland, Portugal and Spain thus allowed the European banking circuitry to differentiate the 'core' and 'periphery' asset classes of Euro-denominated sovereign bonds, and to claim that the latter countries were substantially similar to Greece (Quiggin 2012: 229). In the negotiations over Greece's third bailout package in the summer of 2015, secondly, the German-Greek exemplification of 'core' and 'periphery' seemed further encapsulated in the 2015 Varoufakis-Schäuble disputes (Inman and Smith 2015). Here, Greece's obstinacy seemed to many to vindicate its exceptional punishment with austerity (Hatzis 2012).

In this regard, the intransigence of Swedish foreign minister Carl Bildt was instructive. Echoing the sovereign profligacy narrative, Bildt tweeted the night of SYRIZA's electoral victory in January 2015: "SYRIZA in Greece has won the election promising that taxpayers in other Euro countries will pay even more to them." This was a proposal, Bildt added, that he found "[r]ather daring" (Bildt 2015).

Thirdly, austerity's social effects often engendered outright nationalisms, and the rise of Greece's Golden Dawn exemplifies this particularly well (Ponticelli and Voth 2011). Fourth, Greece has been classified as "an economy that excludes the many," and whose exploitation was deeper than elsewhere in Europe (Kaplanis 2011: 215-228). Thus, it seemed to some that Greece was a 'weak link' in a Marxist sense, "a national formation with exceptional features in its economic development rendering it particularly vulnerable, where the full force of the crisis strikes first and foremost at the youth, the weakest layer of society," yet which simultaneously contained a "peculiar, more 'left-oriented' evolution" than the rest of Europe (Sakellaropoulos 2012: 349). SYRIZA's victory likewise seemed to vindicate this position, offering what seemed like a Left-wing alternative to austerity (Wainwright 2014: 246-249; Zizek 2015).

From the latter perspective, SYRIZA's subsequent acquiescence to austerity seemed to indicate a defeat to many (Stamouli 2015). By this defeat, it seemed that Tsipras had acknowledged that Greece was not only the catalyst, but also a significant part of the cause of the so-called crisis, and that the implementation of exemplary harsh austerity was therefore justifiable (Blyth 2015: 8). Seen this way, Greece exemplified the conclusive proof of the necessity of austerity. It would lead Greece either towards a restoration of market confidence and hence growth, or it would successfully implement austerity's underlying moral economy of condemnation, and thus purely contractive, purely destructive policies (Botta 2013: 427-436).

Conversely, Greece seemed symptomatic for “the cult of austerity” (Krugman 2012b). In this view, Greece seemed to constitute the site where “the cunning of economic unreason” most obviously brought the true social cost of economic austerity to light, and thus allowed one to “place the question of the future of Europe back on the political agenda” (Habermas 2012: 5).

In the second section of this chapter, I argue that each of the above hypotheses overestimates Greece's importance because it places too much emphasis on the 'crisis' trope and frames the Greek situation exclusively in terms of crisis on the one hand, and methodological nationalism on the other. To be sure, the latter is a necessity for upholding the country-fundamental transposition at the heart of the so-called crisis (Blyth 2015: 81-93). Yet, as I discuss in the third section of this chapter, Greece, like Germany, is a sub-circuit of a European economy. Although it has been hit harder by austerity than other countries, Greece is not the polar opposite of Germany, nor is it paradigmatic for the other GIIPS countries. To be sure, Greece is indeed the catalyst for the so-called Eurozone crisis (Berend 2013: 13-21). Yet, once the 'crisis' category is abandoned, Greece becomes far less paradigmatic for the Eurozone than many have asserted. Rather, as I show in the fourth section, 'Greece' in the context of the so-called crisis is a result of a transposition, as are Germany (albeit with opposite results), Portugal and Ireland, Spain and Italy. It is constituted as a national economy, one that is in competition with other national economies, and one that is geared towards endless self-destruction.

SYRIZA may be idiosyncratically Greek: Spain's Podemos, often said to be an equivalent, has stated repeatedly that “Greece is not Spain” (Nik Martin 2015). SYRIZA has been said to be the first and to date only example of a European peripheral government whose resistance to austerity goes beyond social democratic palliatives (Guinan 2014: 54). Yet, SYRIZA nevertheless endorsed a nationalist view rather than a European one in dealing with the so-called

crisis. The choice of SYRIZA's coalition partner after the 2015 elections thus gains decisive importance. Two seats short of the 151 seats needed to gain an absolute majority, SYRIZA chose ANEL, or the Independent Greeks, as its coalition partner.<sup>34</sup> This seems like an odd choice: SYRIZA and ANEL are united in the rejection of austerity policies, but in little else. SYRIZA is a self-proclaimed pro-European, pro-immigrant, pro-women's rights party. ANEL, on the other hand, is a nationalist, anti-immigrant, reactionary party (Blockupy 2015). It has been argued that the choice of ANEL as a partner for SYRIZA can be explained by the “long history of colonization and occupation,” in the context of which “the proximity of nationalistic and left-wing positions is certainly a different one in Greece than in Germany” (*ibid*). It is not a coincidence that Greek anti-austerity discourse often characterizes it as *to kheno dhaktilo* (“the foreign finger”) (Herzfeld 2011: 24).

The remaining sections of this chapter focus on Greece's political development between 2009 and 2015, and argue that here, too, Greece's significance as a decisive Eurozone country is vastly overstated. Partly, Greece is too typical to be exemplary because Greece's resistance to austerity is part of a European resurgence of nationalisms:

From left-wing groups such as Spain's Podemos and Ireland's Sinn Féin to right-wing movements such as France's National Front and Britain's U.K. Independence Party, populist parties sought to present Syriza's win as payback for what they see as out-of-touch mainstream parties and EU institutions (Walker, Douglas, and Horobin 2015).

Conversely, however, Greece is also not typical enough to be exemplary because the Greek 'crisis' is altogether idiosyncratic vis-a-vis Europe. For Greece, with its aforementioned “peculiar, more 'left-oriented' evolution” than the rest of Europe, the so-called Eurozone crisis is only an

---

<sup>34</sup> It should also be noted that any party winning an electoral plurality in Greek parliamentary elections is automatically granted a fifty-seat increase of their parliamentary group's size. It does not currently seem that this means that “Syriza's government will be a minority with no political legitimacy right from the start,” but rather “the figment of the electorate rule which gives the first political party a boon of 16.7 per cent seats of the 300 seats of the Greek parliament” (Papanikos 2015).

element in a long chain of more or less violent political clashes (Sakellaropoulos 2012: 349).

From a Greek perspective, the so-called Eurozone crisis is embedded into long-standing struggles; not least a nation-wide revolt immediately preceding it in December 2008 and January 2009 (Trocchi 2011: 300-301). Thus, the 'Eurozone crisis,' from a Greek Left-wing perspective, is a reactionary reinforcement of neoliberal capitalism, rather than an 'economic crisis' as officially decreed (Lynteris 2011: 210).

To this same perspective, SYRIZA's election in January 2015, coalition with ANEL, and subsequent defeat in the bailout negotiations in summer 2015 exemplify a return to outright nationalism. In Greece, methodological nationalism constituting its economy as an austere economy is further exacerbated due to austerity's ramifications in the country's idiosyncratic political structure. In the fourth section, I examine these effects, and particularly austerity's destructive dynamics for the two Greek mainstream parties responsible for its implementation, social democratic PASOK (*Panellenio Sosialistiko Kinima*, Panhellenic Socialist Movement), and conservative ND (*Nea Dimokratia*, New Democracy). I show that the Greek variety of the austerity transposition results in a self-destructive spiral of nationalism in which the two Greek mainstream parties, and PASOK in particular, were forced to oscillate between charges of treason for implementing the policies and charges of treason for resisting them. In the subsequent implosion, Greece's political class disintegrated and gave way to SYRIZA. This was aided by the fact that the traditional Greek Left-wing opposition to PASOK and ND, the KKE (*Kommounistiko Komma Elladas*, Communist Party of Greece), was also subject to complementary self-destructive dynamics.

In the fifth section, I continue this argument and conclude that it is precisely because of Greece's specific history that it is not a specifically privileged site from which a European

resistance against austerity can emerge. Rather, I argue that Greece's nationalism, violent and vitriolic, is present especially in the Greek Left. To some, this has not been surprising given Greece's peripheral and/or quasi-colonial status (Blockupy 2015). Where I go further, however, is in concluding that Greek resistance to austerity *and* acquiescence to it are subject to violently self-destructive movements. Greece's politics disappear into the night of eternal self-affective purification, a self-destructive dynamic exacerbated and swept away by the aneconomy of austerity. A European political perspective cannot be derived from this, since the forces which turn austerity nationalism into this self-destruction are idiosyncratic to Greece.

Likewise, the sixth section of this chapter examines Greek anarchism on the one hand, and SYRIZA on the other, within this dynamic of self-destruction. Both of these formations have been able to rally large parts of the Greek population against economic and social conditions. However, even anarchism and SYRIZA will be found in this section to lapse back into self-destructive nationalisms. The final section concludes by asking what it means that all aspects of Greece's political scenery, when affected by austerity, collapse into self-destructive movements. What remains when the means to resist austerity are insufficient, contradictory, and self-destructive? Neither Greece nor Germany are the decisive poles of the so-called crisis they are posited to be for the sake of the European banking circuitry's carry trades. This finding paves the way for chapter six: since Germany and Greece are mere appendices to the European banking circuitry and its transpositions, the remainder of the GIIPS group can likewise be examined without assuming them to be an aberration from the German benchmark or members of a 'periphery' whose paradigmatic case is Greece.

## 5.2 Greece overestimated

Widespread agreement existed throughout the so-called Eurozone crisis in Greek and

European discourses of all political persuasions that Greece constitutes a primary site in the so-called Eurozone crisis. Greek left-wing radicals have argued that Greece has been “transform[ed] ... into a laboratory of a new shock-policy implementation” of austerity policies and “fiscal terrorism along with police repression” since 2009 (TPTG 2011b: 246). By the same token, Greece is also a site where “the crisis of exploitability and disciplining of the proletariat is more intense than in any other country in Europe,” which “was explosively demonstrated by the rebellion of December 2008” (*ibid*: 253). This diagnosis, embedding austerity into what the TPTG collective calls a 'disciplining' of the Greek 'proletariat,' is shared by less decidedly Marxist observers as well. For Wolfgang Streeck, the Euro's “common monetary regime for the (north European) savings-and-investment economies on the one hand and the (south European) credit-and-consumption economies on the other is quite impossible [...] unless one of them 'reforms' its production structure and the social contract based on this after the model of the other” (Streeck 2015).

Independent of the – perhaps questionable – Marxist designation of a proletariat, it is noteworthy that the above quote refers to a revolt of 2008, well before what most literature identifies as the beginning of the so-called Eurozone crisis in October 2009. From a Greek perspective, the so-called Eurozone crisis did not disrupt economic tranquility, but is rather part and parcel of Greek political conflicts: “If December 2008 was [...] a totally-unexpected-event, ... in the spring of 2010 we stand before an officially sanctioned and governmentally organized Economic Crisis [sic!], a structural counter-event that we always-already anticipated” (Lynteris 2011: 210). The 2008 revolt decisively shaped the Greek structure of the so-called Eurozone crisis such that it was an event that was endogenous to idiosyncratically Greek politics. Paradoxically, as this chapter argues, this means that Greece's 'crisis' is at once too idiosyncratic

and too typical for Greece to stand out as a linchpin of the so-called Eurozone crisis: as polar opposite of Germany on the one hand, and as paradigmatic case of the GIIPS class on the other.

In December 2008, several long-standing economic, social, ethnic, and gendered conflicts within the Greek social and political fabric erupted in an unprecedented series of strikes, occupations, demonstrations, and acts of political violence. The catalyst was what many characterized as a regrettable instance of police violence embedded – and this was crucial – into a long series of such instances (Schwarz 2010: 219-220). On the evening of 6 December 2008, 15-year-old Alexis Grigoropoulos, loosely affiliated with anarchist groups but not in that night engaged in any criminal activity, was shot by policeman Epameinondas Korkoneas in the Athenian district of Exarcheia, an established site of anarchist activities. Subsequently, Korkoneas was convicted of homicide. Nevertheless, Greek society reacted in much more vitriolic ways than had been anticipated. Long-standing social conflicts of all kinds erupted in the entire country (Papadimitropoulos 2010). Throughout December 2008 and well into January 2009, unions and workers staged protests against worsening labor conditions under European Single Market directives. Immigrants with and without papers protested against their daily harassment, bureaucratic and otherwise. University students protested against education reforms. Anarchists and Communists revolted against Greek politics at large (Kallianos 2011; Douzinas 2013; Wainwright 2014).

During those months, it seemed as if Greece's social and political system was on the verge of a radical change: “It is not the first time that cops commit murder, so it is not the first time that people revolt, attack the police, or burn down banks. But this time things are different [...] nothing will remain unchanged,... nothing will be the same again” (The Hooded One 2010: 217). This included Greece's party system, seen by many as corrupt and outdated after 2008 (Schwarz,

Sagris, and Void Network 2010: 305-306). It seemed to some as if a – perhaps temporary – alliance had formed between long-established activists and average citizens, across sectoral alignments and to an extent across classes, too. As an activist recalls:

...before the 6<sup>th</sup> of December you couldn't understand that there were powers in society that could react in such an instantaneous and magical way. So it was all related to the anarchist movement, but we call it insurrection because it extended beyond the movement" (Little John 2010: 107).

Insofar as parts of this movement were directed against governmental corruption and clientelism, its after-effects can be traced all the way to the current SYRIZA coalition (Wainwright 2014). It seems reasonable to assume that the sentiment of a December-SYRIZA continuity has come to be somewhat dampened by the party's subsequent acquiescence to austerity (Bouras 2015).

Under attack from all sides throughout Greek society, as well as threatened in its electoral successes, the ND/PASOK government had to react (Schwarz, Sagris, and Void Network 2010: 305-306). The so-called Eurozone crisis was, for the Greek context, a counter-revolution: it replaced the open horizon of political possibility with the narrow parochialism of economic necessity (Lynteris 2011: 211). On the one hand, it is typical for the country-fundamental transposition and its austere incarnation: only by appeals to economic necessity can the 'debt' trope fully ensure the liquidity-solvency conversion (Herzfeld 2011: 23). On the other hand, the terms by which the so-called Eurozone crisis can be posited as a counter-revolution are idiosyncratically Greek. The latter in particular raises the question of a Greek specificity within the so-called Eurozone crisis: can Greece serve as paradigmatic linchpin of the GIIPS group, and can it serve as paradigmatic linchpin of European resistance to austerity?

Greece is posited as a unique case even by critics of austerity, as the one country where a shock therapy might indeed be justified. Despite his poignant critiques, Mark Blyth considers Greece a case where austerity is justifiable: "It undoubtedly makes sense for any one state to

reduce its debts. Greece, for example, is literally being driven to default by its ever-increasing debt; more debt, loans, and bailouts are not solving the problem” (Blyth 2015: 8). Thus, while Blyth describes the Eurozone crisis as a “bait-and-switch operation” where “[w]hat were essentially private-sector debt problems were rechristened as 'the Debt' generated by 'out-of-control' public spending,” he nevertheless adds that, “of all the PIIGS, only Greece was in any meaningful sense profligate” (*ibid*: 73). Thus, even those otherwise critical of austerity insist on maintaining Greece's special status.

Yet, as shown in chapter three, austerity is based on a moral economy through and through. Its justifications are independent and its successes run counter to the well-being of the real economies subjected to it. Since Germany is the moral benchmark in the so-called Eurozone crisis, Greece must be posited as its moral polar opposite. To make Greece the exemplary case justifying austerity, its pre-crisis behavior must therefore be such that it is not only eligible but deserving of being subjected to austerity (Lazzarato 2012: 183-184). Austerity is a punishment, not an economic policy: “Some of the creditors still seem to feel that a debt is a debt to be repaid in full, and that the Greeks 'deserve' punishment for their history of profligate spending and habitual tax evasion” (New York Times Editorial Board 2015). Thus, austerity's altogether destructive real economic effects are not only irrelevant, but also actively enhance its applicability to Greece.

To be sure, several examples may lend credence to this claim. Consider, for example, the event commonly cited to have given rise to the so-called Eurozone crisis: the announcement of a corrected Greek deficit on 20 October 2009 (Lane 2012; Shambaugh 2012; Blyth 2015). On this day, Greek finance minister Papakonstantinou, member of the social democratic PASOK government that had been in office for little over two weeks, was forced to revise previously

given accounts and had to announce that the Greek fiscal deficit would reach 12.7 per cent of GDP, with a revised total debt load of 110 per cent of GDP (Berend 2013: 18). As it turned out, the previous predictions had been substantially incorrect to the point of being deliberately manipulated (Bastasin 2012: 135). Subsequent further revisions brought the Greek national deficit figure up to 15.8 per cent of GDP (*ibid*: 137). Whether this was indeed a trigger alerting markets of unsustainable government debt, as the conventional narrative claims, may be questioned (Berend 2013: 17-21). It did offer the European banking circuitry and opportunity continued to hold and purchase sovereign debt well after the initial shock waves of the fall of 2009, exploiting interest rate carry trades (Acharya and Steffen 2013a).

Likewise, the tale of Greek profligacy appears questionable when considering the timing of the message supposedly sent by the Greek debt and deficit announcements. Thus, the absence of supposed worries about the Greek deficit and debt before October 2009 is significant. It could have been obvious at any point prior to 2009 that Greece's strong growth was sustained despite weak institutions (Mitsopoulos and Pelagidis 2011).<sup>35</sup> Consequently, October 2009 marks not so much a sudden realization of Greece's 'unsustainability,' nor a 'crisis,' but rather the effect of post-2008 liquidity-solvency conversions (Lo Conte 2009: 344). Greece's boom is an effect of the European banking circuitry's 2003-2007 credit expansion to its sub-circuits, where the Greek fundamental's integration into a Euro-denominated government bond market provided the necessary liquidity to ease its interest load on government debt (Ehrmann et al. 2011: 342).

Nevertheless, austerity requires blaming Greek domestic problems for the so-called crisis because its point is moral, not economic. It is designed neither to restore confidence nor to restore growth. An exemplary moral case was made by noting that a manipulation of deficit

---

35 The same can be said about Portugal, as Reis (2013) pointed out and as will be discussed in chapter six.

figures by the Greek statistical agency Elstat had been detected by its European counterpart as early as 2002 (Bastasin 2012: 94). Other manipulations included exaggerated claims about herd sizes by Greek farmers to receive more European Union cohesion funds (*ibid*: 141). Yet, in both cases, 'markets' (i.e., investors on European primary sovereign bond markets) had chosen to continue lending. The so-called Eurozone crisis is a methodologically nationalist ascription of lending withdrawals to supposedly national inefficiencies in the Greek real economic subcircuit. Claiming that the 2009 announcement alerted lenders to fraud and unsustainability dissimulates the previous non-reaction of markets, establishing the narrative that well-intentioned markets were fooled by an irresponsible government (Lane 2012: 56-57).

Partly, therefore, Greece exemplifies the methodological nationalism supporting the country-fundamental transposition at the heart of the European banking circuitry's differentiated sovereign debt asset class. Moreover, it exemplifies the moral overdetermination of this methodological nationalism, leading to the austerity transposition: the threefold conversion of the Greek real economic subcircuit into the so-called Greek national economy in competition with other supposedly national economies, and of this national economy into a field of economically destructive moral judgment. The latter marks Greece as an exemplary site of exemplary punishment for exemplary profligacy. By the same token, it makes Greece the paradigm of the GIIPS category, thus making Greek austerity a warning to Portugal and Ireland, and to Italy and Spain. The 'crisis' trope and methodological nationalism are mobilized when the blame for deficits accrued as after-effects of lending expansions gets nationalized and the deficits are constituted as a Greek problem (Botta 2013). At the same time, countries such as Germany can hide behind the supposedly objective facade of so-called 'market discipline' doing the dirty work of forcing Greece to live within what Jens Weidmann and Mario Draghi have declared to be

'their means' (Cohen 2012: 697). Upholding Greece's exemplary status is a result of the necessity to uphold the crisis trope and methodological nationalism, both in turn required to sustain the country-fundamental transposition at the heart of the European banking circuitry.

By the same token, Greece exemplifying morally vicious aberrations from benchmark policies is a necessary structural function the country performs as exemplary transposition to a fundamental, as well as exemplary austere warning to other countries. The 'crisis' trope thus requires Greece as an exemplary site for "the cunning of economic (un)reason" which "has placed the question of the future of Europe back on the political agenda" (Habermas 2012: 5). Seen this way, the so-called Eurozone crisis is indeed a crisis in the classical sense of the term, a moment of rupture and decision (Roitman 2014: 7). Was European unification threatened and did the so-called Eurozone crisis present a choice between more Europe and more nationalism?

The rhetorical fig leaf placed over the crisis is a call for 'more Europe' on which most governments seem to agree. But agreement on that principle masks deep disagreement about what 'more Europe' means (Hall 2014: 1238).

Once more, Greece is exemplary for this argument: should, as Wolfgang Streeck maintains, "southern European attempts to soften the Euro with the help of the ECB" continue to "come up against understandable refusal of the northerners to ... pay for the monetary injections without which the political economy of their southern partners could not function" (Streeck 2015)?

Jürgen Habermas has argued repeatedly that the so-called crisis presents at once the necessity and the opportunity for an overhaul of the European institutional architecture. His arguments also show the intimate connection between crisis and methodological nationalism. Seemingly, he argued, Europeans faced the false and dangerous choice between the return to the sovereign nation-state and an endorsement of the European Union as a transnational bureaucratic monstrosity (Habermas 2012: IX). This matched the sentiments of many Greeks, for whom the

Troika represents a foreign intrusion (Herzfeld 2011: 24). Correspondingly, Greece's then-finance minister Yanis Varoufakis terminated cooperation with the Troika early, on 30 January 2015, rather than during February as originally scheduled (Hope and Wagstyl 2015). However, Greece is not only exemplary as a site of economic technocracy, where “[t]he Euro-crisis shows the failure of politics without perspective” (Bofinger, Habermas, and Nida-Rümelin 2012).<sup>36</sup> It is also exemplary for the second of the two false choices: a resurgence of nationalism. The rejection of the Troika in January 2015, as well as the subsequent return of the SYRIZA-ANEL government to austerity acquiescence, seemed to many Greeks to allow a return of their nation's self-confidence (BBC 2015a). Greece can thus indeed be taken to be exemplary for the European crossroads Habermas identified. Yet, here again, its exemplary status is the result, not the cause, of the 'crisis' trope and methodological nationalism.

Moreover, Habermas remains equidistant from both the austerity discourse and its more radical rejections. He advocates reform of the European institutional system within the given constraints of austere economics: “a transfer of sovereignty to European institutions is unavoidable for an effective implementation of fiscal discipline as well as guarantee of a stable financial system”<sup>37</sup> (Bofinger, Habermas, and Nida-Rümelin 2012: par. 8). To be sure, Habermas identifies the so-called Eurozone crisis as a political rather than merely economic opportunity (2012: 3). Bofinger, Habermas and Nida-Rümelin call for a “self-empowerment of politics”<sup>38</sup> in the face of the “uncanny parallel universe which investment banks and hedge funds have created beside the real economy which produces goods and services”<sup>39</sup> (2012: par. 6). However,

36 Author's translation from German: “Die Euro-Krise spiegelt das Versagen einer perspektivlosen Politik.”

37 Author's translation from German: “Eine Souveränitätsübertragung auf Europäische Institutionen ist dafür jedoch unvermeidlich, um Fiskaldisziplin wirksam durchzusetzen und zudem ein stabiles Finanzsystem zu garantieren.”

38 Author's translation from German: “...Selbstmächtigung der Politik...”

39 Author's translation from German: “...des gespenstischen Paralleluniversums, das die Investmentbanken und Hedgefonds neben der realen, Güter und Dienstleistungen produzierenden Wirtschaft aufgebaut haben...”

Habermas identifies the stakes of this political situation as achieving “the long overdue reform” from monetary union to fiscal union between European countries “by transferring further competences from the member states to the Union” (Habermas 2012: 51). Combined with the previously cited statement on the necessity of maintaining a 'stable financial system' as well as 'fiscal discipline,' one may not be too far off to suspect that a Habermasian reform could dissolve Greek (and German, and French...) fiscal sovereignty while maintaining austerity; a proposal in line with official German visions of common fiscal policy (Schild 2013).

Likewise claiming an exemplary status for Greece are the perspectives of the Greek Left. These radical perspectives, whether anarchist, Marxist, or non-denominational, comprised a majority of the Greek resistance to austerity in the context of the so-called Eurozone crisis (Douzinas 2013: 8-15). The origins of SYRIZA lie in communist youth groups, and the Greek Communist Party KKE has consistently held more than ten seats in every parliament since 1996 (Wainwright 2014: 246-248). Consequently, the Left in other European countries had ascribed a decisive role to Greece's Left and its resistance against austerity throughout the 'crisis' (Zizek 2015; Blockupy 2015).

For the Greek radical Left, Greece had a morally exemplary status at exactly the opposite end of austerity's moral condemnation of the country. The Greek part of the so-called Eurozone crisis was therefore said to occur in a country “with exceptional features in its economic development rendering it particularly vulnerable,” striking at the youth in particular. This youth, however, had also gone through a “peculiar, more 'left-oriented' evolution” than the rest of Europe, thus rendering it more politically active and potentially resistant to austerity (Sakellaropoulos 2012: 349). European reactions to SYRIZA's electoral victory in January 2015 indicated that it was indeed anticipated and feared that SYRIZA would serve as a spearhead of a

European revolt against austerity:

European elites know that if Syriza's demands are fulfilled, then other like-minded forces will be emboldened. Spain's Podemos, a surging anti-austerity movement, will be more likely to triumph in elections this year (Owen Jones 2015).

Thus, German finance minister Schäuble tried to hedge prior to SYRIZA's electoral triumph, stating that “[a]ny new government must stick to the contractual agreements of its predecessors” (cited in BBC 2014).

Both of these positions therefore posit Greece as a site of special significance for austerity, akin to a 'weak link' in a Marxist sense.<sup>40</sup> The notion of a weak link in this sense originated with Lenin and formed an important part of Althusser's writings on Marx. According to Althusser, the 'weak link' metaphor had “above all a practical meaning. A chain is as strong as its weakest link. In general, anyone who wants to control a given situation [or] attack it, [...] need only discover this one weakness to make all its power precarious” (1969: 94). That Greece forms such a weak link requires that it be seen as a polar opposite to the strong link, Germany (Kaplanis 2011: 218-219). Greece is then a country in which all tensions and contradictions of the capitalist socio-economic system are present, and in which, at the same time, the dominant powers are too weak to contain the outbreak of a revolt or a revolutionary movement (Althusser 1969: 95). Greece fits this argument to a certain extent since it is not only a set of economic policies endlessly contracting the Greek economy, but also a political movement endlessly reinforcing the former until the Greek social fabric reaches a point at which the reactions from the radical Left (and

---

40 Whether anarchist theory differs from Marxist theory to such an extent that anarchists would not agree to the 'weak link' theory is something of an open question. The majority of contemporary left-wing radicals in Greece seem to embrace both Marxist and anarchist theory. A notable example is David Graeber, whose contributions to Greek discourse, while written from an anarchist point of view, nevertheless rely on a substantial Marxian component (Graeber 2011). Berardi (2012) and Lazzarato (2012) are examples of this as well. Exceptions in the Greek context are the TPTG collective on the one hand, whose perspective appears to be almost entirely Marxist, and the Flesh Machine journal, whose writings are largely informed by poststructuralist theory rather than Marxism or anarchism.

radical Right) have better chances of success than anywhere else in the Eurozone.

However, for the Greek Left, the so-called crisis began not in October 2009, but rather in December 2008 (Lynteris 2011). What makes Marxist and anarchist interpretations of the so-called Eurozone crisis decisive factors in Greece is thus more of an indicator of Greece's idiosyncrasy than of its role as European anti-austerity spearhead. The very reason why it looked for a brief moment in January 2015 as if SYRIZA's election was a watershed event – Greece's unusually strong Left – also renders this very same Left moot for the European level, as its sources are entirely specific to the country. Greece's paradigmatic status in the austerity transposition was an indicator for its constitution by the 'crisis' trope and its underlying methodological nationalism supporting the country-fundamental transposition. The specific violence of Greek austere nationalism, by contrast, was the result of its idiosyncrasies.

Each of the three main discourses addressed above overestimates Greece's position as a site of more or less radical political potential: vindication of austerity's reactionary trajectory; deep institutional reform towards a European fiscal pact; revolt against European capitalism. Each does so from opposite angles, positing Greece as a point of vindication of austerity – whether for its ostensible constructive or its real destructive purpose – as well as a point of exemplary European reform, or potential point of exemplary revolt. Upon closer analysis, however, each shows that Greece is at once too typical and not typical enough vis-à-vis the rest of Europe to be treated as an exemplary case. On the one hand, each relies on overestimating what is really only a European subcircuit as a Greek national economy, ground zero of the 'crisis.' This is discussed further in the following section. Positing Greece as epicenter of revolt, on the other hand, overestimates as a site of European significance what is an altogether idiosyncratic result of austerity's conversions. This point is further addressed in sections four and five of this chapter.

### 5.3 Austere Economics

In this section and the following one, I discuss Greece's typicality. Similar to Germany and similar to the remaining GIIPS countries, Greece is a sub-unit of the European banking circuitry subject to the methodologically nationalist conversions contained in the austerity transposition. Unlike Germany, Greece's economy is affected negatively by austerity because its conversions exacerbate the most problematic aspects of the Greek economy's two-tier structure, not only with devastating effects upon its social fabric, but thereby also reinforcing Greek nationalism. This is particularly the case since all three of the core sectors of the Greek subcircuit of Europe's real economy generate value within the geographical borders of the country either only nominally (as is the case with the shipping industry) or in turn entirely dependent on non-domestic demand (as is the case with the tourist and banking sectors).

Greece's economy can be characterized as a dual economy similar to the German economy. To a large extent, it is dominated by locally operating, small-scale domestic producers (TPTG 2011a: 124). These widespread, non-concentrated, "backwards" business structures correspond to two highly concentrated, internationally oriented, closely aligned core sectors of its real economy (Sakellaropoulos 2012: 351). 15.2 per cent of the Greek GDP in 2009 were generated in the tourism sector (Visvizi 2012: 18). The second large sector contributing to Greece's GDP was the shipping industry, although it is difficult to estimate the exact percentage. Some estimate that 80 per cent of the country's income is derived from tourism and shipping alone (Berend 2013: 19). Yet, a large part of the fleet sailing under the Greek flag bypasses Greece altogether. Nevertheless, despite the nominal nature of this claim, Greek ships constitute "15.6 percent of the carrying capacity of the entire global fleet" (Palaiologos 2013). Just as in the German case, then, the value added by this sector is generated outside of Greece's geographical borders to a

significant extent. With both of these sectors supplying a sizable part of Greek GDP, Greece's tourism and shipping industries constitute two of the three sectors by which the Greek subcircuit belongs to the European real economic core. Geographically, therefore, Greece's core and interconnections with the European real economy's core are situated almost entirely in Athens, where the port of Piraeus, a sizeable part of its international arrivals, departures, and overnight stays, and its banking sector are situated (OECD 2005).

The third part of the Greek subcircuit's core is its banking circuitry. This sector's concentration corresponds to that of its European counterparts. According to the ECB's 2013 banking structures report, Greece's banking sector concentration was third highest of all Eurozone members in 2012, when its five largest banks held a share of almost 80 per cent of all Greek assets (ECB 2013: 13). Likewise similar to its European counterparts, the largest banks of Greece – the National Bank of Greece, the Eurobank, Piraeus Bank, and Alpha Bank – are internationally active, exhibiting behavior similar to other European banks in the so-called Eurozone crisis (Ziotis 2014). The concentrated, internationally active Greek subsystem of the European banking circuitry served as a transmission belt for the 2003-2007 credit expansion to the Greek subcircuit's real economy, whose retraction has since come to be referred to as 'Eurozone crisis' (Bank of Greece 2007: 47-51). However, again similar to the remainder of the Eurozone's banking circuitry, the so-called crisis was to its Greek subcircuit anything but a 'crisis.' Rather, it resulted in a consolidation: in 2008, the share of Greek assets held by the five largest banks was slightly below 70 per cent, ranking Greece sixth in European comparison (ECB 2013: 13).

The ostensibly Greek real economy is thus split into a core and periphery like its German and indeed every European counterpart. However, unlike Germany's core, which consists of

downstream activities coordinating value added elsewhere, Greece's shipping sector consists of just these activities, which renders it vulnerable to shocks to which German activities are not susceptible (The Economist 2012a). Likewise, tourism is a luxury industry and suffers first from demand cuts in the European 'core' from which other sectors may suffer less (Smeral 2009). Far from being Greece's fault, the vulnerability of the supposedly Greek real economy has rather been constituted by the expansionary credit shock since European Monetary Union, which resulted in European dependencies whose unravelling in turn resulted in the subsequent recession. The expansionary credit shock was transmitted to the Greek tourist and shipping economy mainly through a boost in international demand accounted as domestic demand. Thus, "significant capital inflows and the domestic credit surge in the [Eurozone] countries with better growth prospects," such as Greece, resulted in increased "domestic demand" as well as "persistent deficits in the current account or surpluses in the financial account (net capital inflow)" (Milius 2013: 193).

As a result, the structural imbalances of the supposedly Greek economy had devastating effects when the so-called Eurozone crisis occurred – a European two-sector economy boosted by banking expansion and surrounded by parochial small businesses sustained by the boom's multiplier effects and thus heavily harmed by the bust's multiplier of a factor of more than two (Kaplanis 2011: 220-222). Partly, the credit contraction affected the two sectors directly. Tourism revenue contracted by 11 per cent between 2008 and 2009, "due to reduced demand substituted eventually by rising interest in cheaper destinations such as Turkey, Egypt, Spain, and Croatia, i.e., Greece's direct competitors" (Visvizi 2012: 18). Undoubtedly, "violent demonstrations and riots over the period 2007-2009 [which] heightened the level of perceived security risk in Greece" did not increase Greece's attraction as a vacation spot (*ibid*). Yet, shipping volumes

declined as well (*ibid*).

Thus, while the German subcircuit was structurally equipped to benefit from its austere nationalist conversion to a national economy, its Greek counterpart only suffered from it. To make the case for Greece's special status, it has been argued that the 2003-2007 boom allowed the Greek economy to maintain uniquely problematic inefficiencies (European Commission 2010: 7-15). As in Germany and the remaining GIIPS countries, the austerity transposition takes what is a European economic adjustment and constitutes it as a problem of a national economy competing against other national economies (Berend 2013: 29-30).

This does not mean that Greece is blameless. Indeed, some of the more corrupt and/or inefficient effects of the boom are worth noting, particularly since the governmental programs of SYRIZA after the 2015 elections acknowledged and pledged to fight corruption and clientelism (Grey 2015). It is significant that “[t]he size of the [Greek] government sector grew from 44 per cent of GDP in 2000 to over 50 per cent in 2009” (European Commission 2010: 7-8). Thus, just as in Spain and Italy, governmental structures are transposed after-effects of the European banking circuitry. Supposedly a morally pernicious national phenomenon responsible in part for the Greek inefficiencies leading up to the so-called Eurozone crisis, Greek nepotism was enabled substantially by the spoils of the 2003-2007 credit expansion (Mitsopoulos and Pelagidis 2011).

Thus, funds acquired by the Greek government through debt issuance at vastly reduced interest rates (relative to pre-European Monetary Union levels), were used “to satisfy clientelist [sic] relations with their electorate,” offering employment as well as favorable investment conditions, outright subsidies and legal bypasses based on party allegiance (Kaplanis 2011: 219). Apart from outright corruption, this also includes phenomena such as a large shadow economy where “[s]imple transactions, like buying a plot of land, usually entail payments of undeclared

sums" (Mitsopoulos and Pelagidis 2011: 11). Given continued international lending it mattered little that large sums of potential taxation escaped the Greek state this way (Hawley 2012).

However, the subsequent collapse of expansive credit exposed the vulnerability of these shadow economies encouraged by the government (Milios 2013: 194).

Nevertheless, it is important to note which 'Greece' one references here: its core or its periphery. Greece's constitution as a supposedly national economy aggregates its poverty and those too poor to evade taxes and participate in corruption with those all too capable of participating in both. For Greece's core, therefore, European integration is a very real opportunity to simultaneously escape taxation and place the burden of the country-fundamental and austerity transpositions on the Greek periphery. Tax evasion in Greece is delineated, as elsewhere, along the country's subnational core-periphery divide: in the shipping industry's case, it is achieved either through the nominal relocation of their business or, one may presume, through the aforementioned shadow economy (Mitsopoulos and Pelagidis 2011: 126). To be sure, tax evasion, refinanced through government lending, is a large drain on the Greek public economy (Milios 2013: 194). Immediately prior to the so-called Eurozone crisis, in 2009, the OECD estimated that €20 billion in taxes remained unpaid per year (Ag. 2009). Predictably, austerity has proven incapable of fixing any of these problems, since it is inflicted on the parts of the population incapable of evading taxes:

[w]hile the governing coalition was busy squabbling with international creditors over how many hundreds of euros can still be trimmed from teachers' and nurses' paychecks, and Athens continued slashing employee pensions, wealthy Greeks moved billions abroad with relative impunity (Heyer 2012: par. 3).

Here, too, Greece was similar to Germany's *Hartz* reforms, whose 'competitiveness' gains were distributed to those not affected by it.

Correspondingly, "[p]ockets of rent-seeking" are specifically prevalent among small, well-

organized groups in Greece (Misopoulos and Pelagidis 2011: 8). As with the austere condemnation of tax evasion, this is a valid point used to justify reforms whose effects do nothing about it, and are brought to bear on the part of the population least responsible for it. Well-organized groups resisting austerity do so to maintain their privileges – at the expense of large, unorganized, vulnerable parts of the population subject either to austerity directly, or to its ripple effects when local demand breaks down and small-scale businesses are no longer viable (Mitsopoulos and Pelagidis 2011: 10).

The most notorious example in 2010 and again in 2012 were taxi drivers defending licensing privileges (European Commission 2012a: 10; Smith 2011a). Here, the conversion to an austerity argument seems to make sense, as strikes and other inefficiencies (such as licensing structures protecting specific groups from liberalized competition) are indeed costly and reduce overall investor confidence into Greece's economy (Visvizi 2012: 34). Such an argument mirrors the Troika's labor market reform proposals (European Commission 2012a: 26-27). It is perhaps an indicator for the correctness of at least some of the inefficiency argument that the defense of sectoral privileges required the invocation of methodological nationalism and populist xenophobia, as in the case of the taxi drivers' union (TPTG 2011b: 265-266).

Yet, here as in the case of taxation, austere reforms were brought down on the parts of the population least responsible for the ills they were supposed to rectify. In addition to constituting 'Greece' as a national economy by aggregating its poorer regions and sectors, austerity's moral economy of condemnation went further, targeting the most vulnerable parts of the population, to work towards its actual, destructive purpose. In seven austerity packages between 2010 and 2013, a series of 'reforms' were unleashed upon Greece. Even in their official language, they were substantial. First, public employees were laid off, public salaries frozen, and bonuses

reduced. Then, minimum wages were reduced, and value-added taxes and petrol taxes were increased (second package). Public companies were privatized (third package). Taxes were increased for annual incomes above €8,000, and pensions were lowered further (fourth package). In the fifth package, yet more taxes were increased, yet more public assets were privatized, and the minimum wage was cut even further. So-called closed shop markets (such as the taxi drivers mentioned above) were liberalized in the sixth package, the first of all these measures to hit parts of the Greek core. Finally, yet more public employees were laid off in the seventh package (European Commission 2012a: 96-103). The social results of these measures have been devastating (Smith 2011b; Price 2012; Lowen 2012).

Amid an already deep and widespread growth crisis, wage reductions, social security reductions, cuts in public spending and employer-friendly layoff regulations exacerbating unemployment have procyclical effects (Beeton 2013: 1500). Ramifications include a decline in Greek GDP, exports, and production, accompanied by rising national debt and deficits, as happened between 2009 and 2014 (Sakellaropoulos 2012: 352). Greek GDP declined by 15.6 per cent between 2009 and 2012 (Milius 2013: 188). Compared with Troika projections, austerity's "initial assumptions, concerning projected paths of GDP, domestic demand, and unemployment ... that structured [the] Greek programs' outcome expectations were off by twenty, twenty-four, and seventeen percentage points respectively" (Blyth 2015: 257).

Noteworthy are, furthermore, a decline in household savings as well as a drastic increase in poverty, particularly youth poverty, which had been high relative to EU standards already before the so-called Eurozone crisis (Sakellaropoulos 2012: 352-354). By 2013, according to Caritas, Greek youth poverty had reached 60 per cent, with Spain's at 50 per cent and Portugal's at 40 per cent of citizens below 18 years (Davenport 2013). Unemployment, particularly among the Greek

youth below the age of 25, had been 22.4 per cent in 2008 and exploded to 59.9 per cent in 2012 (Eurostat 2015e). Drastic effects were not far behind.

To take just one set of public health examples, since the beginning of the crisis austerity, cuts in Greece have resulted in a 25 percent cut in hospital and primary care funding, which in turn resulted in a 32-fold increase in HIV infections between 2009 and 2013. Suicides have increased by 45 percent and infant mortality has increased by 43 percent over the same period. And in 2013, Greece had its first domestic cases of malaria since 1974 (Blyth 2015: 258-259).

Yet, treating austerity's effects as a Greek matter is as false as giving in to the methodological nationalism which sustains its economic fallacies. Here, too, Greece is too typical to stand out. The figures just cited must be seen in the context of the general decline of European demand and output after 2009, as evidenced by generally rising unemployment and stagnating growth throughout the continent (Shambaugh 2012). Even the rise of youth poverty and suicide rates is a European development (Stuckler and Basu 2013).

#### 5.4 Corruption and Sacrifice

The austerity conversions are a European political program rather than a set of Greek economic policies. 'Crisis' and methodological nationalism have worked hand in hand: "A horror show of decrepit political formations not seen since the interwar years has been exhumed from the crypt and installed across Europe: national governments, externally-imposed technocrats, even – in Greece – a troika-dictated regimen" (Guinan 2013: 46). In each case, austerity is enacted not upon a Greek national economy, or a Spanish or Italian economy, but upon a subcircuit of the European real economy subject to austerity's three conversions. First, it is separated by a methodological nationalism. Second, it is constituted as a national economy in competition with other subunits of Europe's economy. Third, it is set on a self-destructive path.

Likewise analogous to the German and other European cases, the methodological nationalism of austerity corresponds to an epiphenomenal Greek political nationalism. It is not a

coincidence that SYRIZA chose to form a coalition with nationalist party ANEL after the January 2015 election.

The anguish and hardships endured by the Greek people, along with the humiliation felt by the visible enfeebling of democracy and national sovereignty as the country is practically run by the troika of creditors, have together sown the seeds of nationalism and xenophobia (Milios 2013: 200).

It is not particularly astounding that Greeks identify austerity and particularly the Troika representatives charged with implementing it as a foreign imposition: *to kheno dhaktilo*, the foreign finger (Herzfeld 2011: 24). The majority of Troika demands were presented as ultimata, and Troika representatives, when dispatched to Athens, acted “like colonial administrators dictating high and low policy” (Douzinas 2013: 172-173).

In this regard, too, Greek austerity is not special since it merely exemplifies the exact flipside to Germany, an exemplification which, as seen above, is itself a phenomenon serving a specific European function rather than originating nationally. Just as German austerity nationalism is predicated upon a movement of eternal self-destruction, which can pass as virtuous in the context of the so-called Eurozone crisis because it corresponds to its economy's structure, so Greek nationalisms are caught up in a movement of self-destruction corresponding to their economy's destruction. Resistance to austerity merges here with efforts to preserve the nationalist tautology 'Greece'. Austerity nationalism, in Greece as elsewhere, entails emancipating the country from the European Union, “an empire or multi-national state entity (embodying, for those seeking 'national independence,' national subjugation and oppression)” while simultaneously calling for “the national-cultural homogenization of the 'internal' dimension of the national polity” (Milios 2007: 183). Once again, Greece is here part of a European movement of nationalists like France's Marine Le Pen, for whom SYRIZA's 2015 electoral victory marked a turning point. “Do we want to be free? With the European Union, we

are not... Neither our immigration policy, nor our monetary policy or agriculture" (Le Pen 2015).

Three notions are central to understanding Greek political discourse as it is reconstituted in the so-called Eurozone crisis: the notion of 'sacrifice'; its corresponding counterpart, 'corruption'; and their common genealogical origin in the complicated interrelation of the 1967-1974 Greek military dictatorship and its successor, a form of national political consensus called *metapolitefsi*. In this section, I discuss the first of these, the trope of 'sacrifices.' The latter trope marks the points of convergence between Greek idiosyncratic nationalism and other European nationalisms as harnessed by the banking circuitry's transposition of countries to fundamentals. In the Irish case, too, "tough decisions" were said to "persuade the international markets that" Ireland was "capable of ... get[ting their] house in order" (Considine and Dukelow 2011: 191). Likewise, in 2012, the president of the Athens Chamber of Commerce, Michalos, stated that "[t]he Greek people have taken up tremendous sacrifices" as part of austerity, characterizing these sacrifices as "extreme" (quoted in Labropoulou 2012). After SYRIZA's electoral plurality, then-finance minister Varoufakis used the same language: "We were being sacrificed on the altar, and we're not going to allow ourselves to be sacrificed anymore" (quoted in Witte 2015).

Rather than persuading the Troika to be more lenient, however, the trope of 'sacrifice' reinforced the moral economy of condemnation it was directed against, the interrelated ideas of an 'inevitability' of austerity as punishment for Greece's recklessness as well as technocratic medicine for structural ills (Bastasin 2012: 172). It therefore posits Greek nationalism in two interrelated gestures, each of which follows the classical nationalist inside-outside logic (Schmitt 2007). First, the notion of austerity's inevitability is the idea of the natural, positively given, normatively neutral inevitability of so-called economic conditions legitimately constraining governments (Streeck 2013: 262-267). In the context of the so-called Eurozone crisis, markets

are thus understood as diagnostic tools reacting to pre-existing national economic deficits (Bastasin 2012: 7-9). Here, 'sacrifice' justifies rather than criticizes austerity as methodological nationalism is reinforced by the crisis trope: "crisis has assumed the character of a natural catastrophe that cannot be reversed until it will come full circle after some years, as the economists-weathermen keep telling us in their forecasts" (TPTG 2011b: 270-271).

This argument is nationalist insofar as it posits as an 'outside' the quasi-natural judgment of European sovereign bond markets. The country-fundamental transposition overcomes the Greek nation with the destructive fatality, yet normative neutrality, of a natural disaster. On the one hand, it has the unfounded capriciousness of irresponsibility. Most observers have argued that market movements during the so-called Eurozone crisis were largely motivated by panic (De Grauwe and Ji 2013). On the other hand, this irresponsible violence is nevertheless morally correct and necessary and thus seamlessly enacted upon the Greek state since, within the liquidity-solvency conversion, this state's main responsibility is to serve its fundamental's obligations. The Eurogroup, as it stated in its second adjustment programme in 2012, is "fully aware of the significant efforts already made by the Greek citizens but also underlines that further major efforts by the Greek society are needed to return the economy to a sustainable growth path," and added that it "welcomes the intention of the Greek authorities to introduce ... in the Greek legal framework a provision ensuring that priority is granted to debt servicing payments" (European Commission 2012a: 6).

To be sure, austerity seems on its surface to go against the immediate interests of the banking circuitry (Varoufakis 2015a). As Blyth argues, "commitment to austerity" signals to investors "lower growth due to less public spending going forward in an already weak economy" (2015: 3). Yet, on the one hand, austerity deepens the profitable 'core'-'periphery' differentiation

among Euro-denominated sovereign bonds. On the other hand, austerity is not primarily implemented for the sake of markets, but for moral condemnation. Moreover, markets have no memory, and investors do not need to know macroeconomics (Mirowski 2013: 224-225).

By virtue of this logic, the trope of 'sacrifices' poses a problem to Greek political forces attempting to internally justify austerity, namely, to dissimulate the cooperation of Greek authorities with the Troika. "There was," the Eurogroup noted in May 2010's first rescue programme for Greece, "a similar understanding of the genesis of the crisis, the limited number of available policy options, as well as the high sense of urgency – as the crisis was spreading to the financial and broader private sectors" (European Commission 2010: 17). Selling this similarity to Greeks – particularly those in the lower socio-economic strata actually affected by austerity – required the trope of inevitability (Heyer 2012). Against inevitable market judgment, nothing can be done except uniting the Greek people in the sacrificially purifying purge of bad economic practices (Lynteris 2011: 210-213). Addressing the European Parliamentary Group PPE in 2012, then-Prime Minister Samaras (ND) emphasized this point:

...my country is going through the 5th consecutive year of recession. Next year is going to be recessionary as well. The economy came close to a full paralysis, social cohesion is in serious trouble, and still the Greek people are demonstrating patience in their ordeal and perseverance in their efforts to get out of the crisis. At truly moments of crisis we were supported by all our partners and we appreciate their help. And our partners appreciate and recognize now the sacrifices made by the Greek people (Samaras 2012).

Here, too, an inside-outside structure prevails in a fundamentally nationalist argument. Yet, in this case, the outside threatening Greece's national economic purity is within Greece: corruption (Hope 2012), inefficiency (Pauly et al. 2014), and political and economic irresponsibility (European Commission 2010b: 7-8; European Commission 2012a: 1). The deployment of the Greek nation as a body politic united against the natural catastrophe of

economic irresponsibility – united, that is, behind austerity – therefore immediately becomes the deployment of a specific part of the Greek nation against another. Austerity's European moral economy of destructive purification thus becomes a Greek self-destructive dynamic. Just like it deployed net givers against net takers within Germany, and Germans against Greeks, so its Greek incarnation argues along the lines of sacrificial purity against profligacy.

The ND / PASOK unity government in office between 2012 and 2015 used the trope of 'sacrifice' both as a justification for austerity and as a tool to identify those whose recklessness had brought Greece to the point where austerity would be justified. This, too, fulfills a European function, as the latter are also those whose behavior caused the so-called crisis in the conventional discourse (Berend 2013: 13-21). For SYRIZA, at least nominally, this meant a focus on fighting corruption and tax evasion as the major areas of structural reform (Grey 2015). The Samaras government (2012-2015), by contrast, had chosen to focus primarily on the expenditure side of the Greek government's balance sheet – particularly social expenses – as well as the supply side of the economy, particularly labor market reform lowering cost.

This was in line with Troika demands enforcing austerity's destructive core and, as seen above, with the delineation of core and periphery within Greece; the former evading taxes, the latter punished with austerity. To be sure, the 2012 programme claims that "social considerations have always been present in the design of the programme" (European Commission 2012a: 8). Yet, it also specifies that "correcting large and unsustainable external and fiscal imbalances in the space of a few years does impose a reduction in living standards which are borne by the entire Greek society" (*ibid*). Upholding "sacrifices under the star of national unity," it is necessary to impose upon obstinate social groups reminders of "the general and always enduring debt/guilt towards society" (Lynteris 2011: 210), a debt which has "no likely settlement date," giving it an

“incalculable value” (Baudrillard 2013: par. 3) not intended to ever be paid back, and thus implemented to be paid back constantly and indefinitely (Lazzarato 2012: 29).

This focus on expenses therefore allows a clear identification of the groups inside of Greece who oppose austerity and who are thus to singled out as the reckless and profligate spenders endangering the Greek nation's sacrificial unity and purity. “Several factors hampered implementation” of the first adjustment programme, the second one noted in 2012, among which were “political instability, social unrest and issues of administrative capacity.” Only subsequently did it admit that there also occurred “a recession that was much deeper than previously projected” (European Commission 2012a: 1). Yet the recession was European and thus had to be attributed to the same groups responsible for the Greek crisis as such to preserve the methodological nationalism necessary to uphold the country-fundamental transposition: the government's inefficiency, to be cured by privatizations, as well as bloated social expenses diminishing labor market efficiency (Mitsopoulos and Pelagidis 2011; Visvizi 2012; Berend 2013).

### 5.5 Sacrifice and Nationalism

However, a genealogy of the trope of 'sacrifice' in the Greek context reveals more than just austerity nationalism. Rather, Greece contains a more specific and idiosyncratic set of syntagmatic elements structuring austerity's conversions such that they result in self-destructive movements of purification. At this point, Greece thus ceases to be a typification of European austerity conversions – too typical to assume a role as GIIPS paradigm – and becomes a specificity too idiosyncratic to play the role as GIIPS paradigm. It is typical in European comparison that austerity and its concomitant 'sacrifices' are at once politically stabilizing and destabilizing because they at once allow to rally the Greek nation in sacrifice, and yet identify a

part of this nation as an internal outside, profligate and reckless; an enemy within. Yet, a specifically Greek logic of escalation is inherent in this inside/inside/outside oscillation. This is a logic, as this section shows, which determines Greek political acquiescence and resistance to austerity in ways atypical to other European countries.

The internal enemy is economically corrupt and thus morally corrupt, too: the tax evader, the corrupt union official, the lazy worker (Christofer 2014; Berend 2013: 91-114). Society must be mobilized against this corruption. In Greece, this constellation can be conceptualized in two ways which appear to be opposed to one another, but in reality are irreducibly entangled. The first of these is due to the specificity that social democrats PASOK led the first Greek government facing the so-called Eurozone crisis (the Papandreou government, 2009-2012), and were the junior partner of conservative *New Democracy* in the second (the Samaras government, 2012-2015). I argue that, despite or rather because PASOK is a social democratic party, this first way of conceptualizing corruption is in close ideological proximity to the purity/corruption opposition that was framed by the older Greek military dictatorship (1967-1974). Since Greek democratic parties, and PASOK in particular, have always understood themselves in opposition to the dictatorship, a self-destructive dynamic is unleashed whereby all Greek resistance and acquiescence to austerity are irreducibly tainted by the methodological nationalism underlying them. Hence, the specifically violent proximity of this methodological nationalism to the dictatorship.

In the context of the "national unity" coalition of *New Democracy*, PASOK, and DIMAR under Prime Minister Samaras (2012-2015), and even more so in the case of its predecessors, Georgios Papandreou's social democratic PASOK government (2009-2012) as well as Lucas Papademos' 2011-2012 crisis government consisting of PASOK, ND, and LAOS, 'corruption'

constitutes a division between those morally willing to make sacrifices, and their opponents. PASOK, in particular, is crucial here. Consisting of socialists and social democrats, PASOK claimed to be willing to sacrifice electoral successes for the sake of the good of Greece, i.e., austerity. In turn, since austerity in the context of the 'crisis' trope is an inevitable economic 'reality,' PASOK could claim that its opponents to the left, KKE and later SYRIZA, were not just politically hazardous, but also reckless radicals incapable of perceiving economic reality. PASOK thus attempted to maintain its credibility as a social democratic party while simultaneously exhibiting a nationalism so characteristic of austerity politics. As then-deputy Prime Minister Venizelos said in 2013, PASOK was "vital to the country exiting the crisis," insisting that its coalition with ND under Prime Minister Samaras was "saving the country" (Dabilis 2013). Yet this meant that PASOK also had to identify KKE, SYRIZA, and the labor unions defending sectoral privileges as being unwilling to make the sacrifices necessary to save Greece, and thus could purge them.

That it was self-proclaimed socialist party PASOK that defended austerity and its own involvement in austerity in the name of economic necessity is significant in a number of ways. A conservative party such as *New Democracy* will expend little effort justifying a policy which, like austerity, is in line with its ideological orientation (Berezin 2013). For PASOK, however, this is much more difficult, and perhaps akin to a form of defeat marked by its classification as a 'formal Left' by the radical Left in Greece (Alkis 2010: 9). To be sure, from a European perspective, PASOK's acquiescence is neither surprising nor particularly remarkable. Everywhere, defenses of redistribution were met with "the inability of social-democratic parties to stand up to, or even seriously to bargain over, austerity for the masses as a solution to the financial crisis" (Wainwright 2014: 243-244). What makes PASOK's acquiescence in particular

so crucial is that it is embedded into the specific violent genealogy of the Greek sacrifice/corruption trope.

In 1974, the Greek military dictatorship, which had been in place since 1967, ended. This military dictatorship, a response to the anticipated electoral victory of the socialist Andreas Papandreou in the 1967 parliamentary elections, had been predicated upon an ideological consensus built around anti-communism, a strong, and at times fascist nationalism, and a moralistically overdetermined censorship regime (Woodhouse 1985: 60-62). However, in 1974, a student revolt resulted in the regime's collapse (*ibid*: 126-142). The end of the dictatorship allowed the Greek Left, particularly the Communist Party KKE and the Socialist Party PASOK, to reemerge. Subsequently, a new national consensus was found: *metapolitefsi* ("regime change"), predicated upon the rejection of the dictatorship as well as the explicit inclusion of all parties, including KKE. Between 1981 and 2008, a relatively stable two-party system emerged with PASOK and the conservative *New Democracy* (Giovanopoulos and Dalakoglou 2011: 96-97). During the 1990s, *metapolitefsi* evolved towards "the collapse of political difference between PASOK and ND in power, in their policies, discourses, and practices" (*ibid*: 97). Meanwhile, the Communist Party's (KKE) fundamentalist opposition increasingly isolated it, thus paralyzing large portions of radical resistance to *metapolitefsi*'s neoliberalism throughout the decade (*ibid*: 105).

Economically, much as in Germany, Greek history since *metapolitefsi* had been a history of neoliberal reforms, or austerity *avant la lettre*. The national consensus between PASOK and ND, upheld by the paralysis of the Left around the KKE, had simultaneously been built upon clientelistic redistribution for some parts of the population and neoliberal reforms for others. The so-called Eurozone crisis is neither new nor a 'crisis' of this regime. Rather, austerity seamlessly

continues both clientelism and neoliberalism: the former, through the notion of a so-called Eurozone crisis as a sovereign debt crisis; the latter through that of austerity and 'sacrifices.'

Thus, on the one hand, the general slowdown of growth between 1990 and 2010 was

dealt with... by successive reforms of the education and welfare system, by promoting the precarisation of work relations, by continuous legal attempts to discipline immigrants and control immigration flows, by cutting down allowances, wages, and benefits and replacing them with bank loans (TPTG 2011a: 116).

On the other hand, however, the *metapolitefsi* consensus throughout the 1980s, 1990s and early 2000s was characterized by a “systematic public-revenue inadequacy,” which had “been a conscious political choice” in which “[t]he alternating governments of ND and PASOK rendered the tax system the locus of a profound distortion in favour [sic] of the upper classes” (Milios 2013: 199). Neoliberal reform within *metapolitefsi* and public indebtedness are thus two sides of the same political choice found today. The burden of austerity and sacrifice is disproportionately borne by those upon whom austerity reforms are most easily imposed (Blair 2012; Lethbridge 2012).

In the context of the sacrifice/corruption tropes traced here, a legitimization problem emerges for PASOK in particular, but also, to a lesser extent, for ND. The burden of austerity – maintaining privileges while cutting everyone's welfare – is disproportionately borne by large and unorganized groups, such as Greece's youth and public pensioners, as well as the poor and precariously employed (TPTG 2011b: 257-258). This way, it became necessary to dissimulate this displacement of austerity from those who benefitted from the boom and who now benefit again from austerity to those who benefit from neither by positing an outside to defend the virtuous sacrificial inside: ostracized groups (Lynteris 2011). With the obvious choice, presented by migrant workers whose status in Greece is precarious both economically and politically, PASOK and ND find themselves in agreement with Greece's right-wing and fascist

organizations. The acid attack upon then-sanitary worker and union activist Konstantina Kuneva – now a representative for SYRIZA in the European Parliament (SYRIZA 2014)– was merely the tip of an iceberg assembled from austerity-induced layoffs of precarious migrant workers on the one hand, and rabidly nationalist and racist persecutions on the other (TPTG 2011b: 266, 271). Thus, Greek business “has used the immigrants as a lever for forcing down labor costs, making Greek products more competitive and increasing profitability,” while simultaneously making their lives so precarious as to fill them with “fear of expulsion and so inability to demand recognition of elementary rights as an individual” (Sakellaropoulos 2012: 358-359). Moreover, economic impoverishment led to the predictable “increasing fear of foreigners in the population at large” (Herzfeld 2011: 23). Yet, the complicity of PASOK and ND in such xenophobia places a burden on their nationalism whose self-destructive ramifications for their ability to credibly claim to resist to austerity will become evident below.

Another problem arises from austerity measures directed against the Greek youth. This is particularly dangerous for PASOK because it derives its legitimacy from its status as the social democratic wing of *metapolitefsi* which had resulted from a student-led revolt leading to the collapse the military dictatorship. After 2009, Greek youth unemployment escalated spectacularly. According to Eurostat data, unemployment of persons under 25 increased from pre-2008 levels of slightly above twenty per cent to 36.6 per cent (2010Q4), 49.9 per cent (2011Q4), 58.3 per cent (2012Q4) and 56.6 per cent (2013Q4) (Eurostat 2015d). Correspondingly, a large number of Greek youths have migrated, particularly to Germany (de Verges 2013). Others have radicalized. The 2008 revolts exemplified this: “the groups that thought they were the specialists, like the leftists and the anarchists, they lost their place in the hierarchy immigrants and students and people with no political identity were out in the streets”

(Iulia 2010). After 2010, this development escalated further (Kallianos 2011: 157; TPTG 2011b: 262).

Anti-governmental stances are widespread among Greek university youth, stemming largely from their prominent role in the uprising against the military dictatorship (the “junta”). Political activism did not recede after the immediate fall of the dictatorship. After 1974, “students were among the first to demand the purging of the universities of junta or pro-junta professors … and generally the democratization and modernization of the educational system” (Psacharopoulos and Kazamias 1980: 128). This early activism had a decidedly left-of-center political orientation (ibid: 129). Neither of these factors has changed: students are still activist in Greece, and their political orientation is, with some exceptions, still largely left-of-center (Sakellaropoulos 2012: 347). PASOK in particular had been a core part of the *metapolitefsi* coalitions, channeling its left wing and appeasing its youth legacy (Giovanopoulos and Dalakoglou 2011: 95-97). Thus, antagonizing educated Greek youth, particularly radical university students, substantially jeopardized PASOK's legitimacy at a time when this legitimacy was more direly needed than ever.

PASOK's alienation of youths and migrants has magnified the effects of the sacrifice/corruption tropes. Between 2009 and 2015, in a period during which PASOK was in government, youth radicalization crystallized in radical left-of-center groups which would later form SYRIZA (Wainwright 2013: 246-249; Milios 2013: 198-201). Faced with increasing pressure to credibly defend sacrifices that cannot credibly be defended from a Left perspective, PASOK had to escalate its discourse: further reinforcement of the trope of 'sacrifice' by further escalating the trope of 'corruption.'

Partly, this responded to real scandalous developments in Greek politics prior to 2009, which

led to “the perception...that both of the main parties [were] in receipt of payoffs, and certainly that *New Democracy* is not a political entity with any independence from business interests,” a perception which continued throughout the so-called Eurozone crisis “despite the profile that [*New Democracy*] attempted to acquire for itself at the beginning of its most recent period in government,” i.e., the 2012-2015 Samaras government (Sakellaropoulos 2012: 357). Scandals include: the investment of public funds into the type of complex structured bonds which led to the crisis by a company with political ties to ND; the illicit entrepreneurial activity of a monastery with ties to both parties; and the revelation that German company Siemens had systematically bribed officials from both parties for years to gain for its Greek subsidiary the position of “one of the key co-contractors for major projects carried out in Greece” (*ibid*: 356-357).

PASOK and ND both suffered from withering public support due to such scandals. For PASOK, however, it was worse since its legitimacy had already been threatened. The result was an increasingly frantic attempt to disassociate itself from *metapolitefsi*; “an operation of governmental reformation based on notions of unmasking, purification, and purging” (Lynteris 2011: 211). Partly, this movement occurred within the ranks of (former) social democrats. An example of this self-destructive tendency is former Prime Minister Papandreou's formation of a new social democratic party against PASOK and 2012-2015 deputy Prime Minister Venizelos' PASOK, leading to mutual accusations of treason in late 2014 and their eventual electoral demise in the January 2015 elections (To Vima 2014).

Simultaneously, PASOK found itself under siege from larger and larger sections of the Greek population. The cases of corruption within ND and particularly PASOK reinforced the necessity of these parties to establish and re-establish themselves as the impartial, incorruptible

arbiters of social necessity – which is to say, of austerity. Anyone who opposes austerity puts their own corrupt interest before that of society. Having identified the 'general good' with the sacrifices of austerity, PASOK must identify anyone who resists the movement of contraction as an enemy. An enemy of PASOK thereby becomes an enemy of economic necessity, and hence of the Greek people. Thus, “[a]ccording to the social-democratic discourse... what both December [2008] and the Economic Crisis have demonstrated is that Greece is permeated by an 'anti-democratic culture,' which posits individual and group interests against the General Good” (Lynteris 2011: 212).

Since austerity is a movement of endless contraction and everyone who will be affected by austerity's destructive aneconomy will resist it, the extent of corruption is endless and endlessly proliferating. The movement thus goes beyond the “pockets of rent-seeking” discussed above (Mitsopoulos and Pelagidis 2011: 8). It encompasses not just SYRIZA and the anarchist movement, but also anyone who is opposed to austerity and who is thereby posited as opposed to the 'general good.' 'Corruption' is generalized: everybody who opposes austerity and the 'sacrifices' of 'necessity' needs to be purged. Since the only part of society in favor of austerity except PASOK is ND, PASOK is thus engaged in a double movement of self-destruction. Purging itself and its internal aberrations in the name of anti-corruption, its own purification can never suffice since PASOK is not, ultimately, identical to ND, yet could succeed in purifying itself only at the price of becoming ND. Destroying itself, PASOK is simultaneously forced to elevate this movement of self-destruction – this faithful representation of the movement of society's implosion called 'austerity' – to the 'general good' of society. Thus the more PASOK purifies itself, the more it is surrounded by increasing numbers of enemies: more radical Leftists, egotistical labor unions, and anti-democrats.

Yet, PASOK must faithfully execute its self-destruction and faithfully follow austerity's self-destructive trajectory. As then-finance minister, and now party leader, Evangelos Venizelos argued in 2012, PASOK was necessary for maintaining political stability and gaining payoffs for Greek society within the supposed necessities of economic fate (eKathimerini 2012). PASOK's political suicide does not just mirror the self-destruction of the Greek social fabric through austerity; it directly reinforces it. By positing itself as the sacrificial center of Greek politics, at once upholding and resisting austerity, PASOK functions as a hinge of the sacrifice/corruption continuum, capable of designating any obstinate social group as corrupt and irresponsibly ignoring the natural judgment of markets.

A trope of economic 'necessity' thus links the self-destruction of PASOK to that of the Greek socio-economic fabric. The 'necessity' to present itself as incorruptible arbiter of the 'general good,' purging all that is resistant, collapses into the 'necessity' to uphold the endless adjustment of the economy and its society to austerity, likewise purging all who resist. Moreover, nationalism – political, not explanatory – is invoked and involved on all sides. The moral purity of 'corruption' upholds the moral purity of 'necessity' because incorruptible politicians are needed to enforce the dictates of economic 'necessity' in service of the nation. This is at once useful and dangerous for PASOK. Nationalism against 'necessity' upholds the moral purity of the trope of 'corruption' by calling for the purge of corrupt officials by PASOK. Yet, insofar as PASOK itself is perceived as a perpetuation of austerity measures, the trope of corruption requires it to purge itself in its entirety. When austerity is seen as a foreign imposition, acquiescing to it means acquiescing to a threat to the very nation that PASOK claims to protect, thus making its claim self-defeating at best and self-harming at worst (Georgopoulos and Flynn 2011). Consequently, nationalism against 'corruption' (and the purge of corrupt politicians) upholds the moral purity of

'necessity,' linking PASOK further to both the attempt to maintain austerity and to the futile attempt to remain distinct from ND. All that remains for PASOK is the empty affirmation of moral virtue.

For ND, this problem is structured somewhat differently. Unlike for PASOK, self-destruction is not an issue, as the party's continued electoral success even after the January 2015 elections shows: at 76 seats, it is currently the main opposition to SYRIZA. This makes sense since, as mentioned above, a conservative party will be more legitimate in enforcing austerity (Berezin 2013). However, ND also derives its legitimacy from the national consensus of *metapolitefsi*. The inside/outside dynamics for ND are less complicated than those for PASOK. After all, ND does not need to appease the Left. Yet, for ND, too, the enemies proliferate without end within the furious destructive movements surrounding austerity and its corresponding politics. Just as for PASOK, the 'general good' to be defended is to be defended within austerity, the mere movement of endless contraction. Just as for PASOK, this means that the general good becomes endless sacrifice in the name of economic necessity.

Furthermore, as seen above for the case of PASOK, the trope of 'sacrifices' carries an additional meaning: sacrifices are necessary not as such, but in the name of the Greek nation. Here, the oscillation between constantly multiplying internal enemies and constantly multiplying external enemies characteristic of the 'sacrifice' trope returns with additional vigor. Since austerity is identical to the disappearance of society in general, all of Greek society is ultimately opposed to austerity, all internal enemies are external enemies, and all external enemies are internal enemies.

The Greek nation is under siege. Either PASOK and ND uphold the 'general good,' in which case all of Greece is treasonous; it is nothing but a "pocket of rent-seeking" (Mitsopoulos and

Pelagidis 2011: 8). Or austerity is treason, and then PASOK and ND are guilty of treason for imposing it, which in turn implies that all of Greece is a victim of austerity and the Troika: *to kheno dhaktilo*, the foreign finger (Herzfeld 2011: 24). In 2011, “Greeks protesting at austerity measures demanded by foreign lenders blocked a major national parade on Friday to commemorate Greek resistance in World War Two, shouting 'traitors' at President Karolos Papoulias and other officials” (Georgopoulos and Flynn 2011). In both cases, the 'general good' upheld by the government and the 'general good' upheld by the protesters is the same: the Greek nation. Nevertheless, both are mutually exclusive: either all of Greece is corrupt if the old *metapolitefsi* axis of PASOK and ND is sacrificially pure; or *metapolitefsi* as a whole is corrupt if the Greek people are sacrificially pure. This means that “[t]he Greek people are now fighting a major battle. They also fought one many years ago today... We must unite to overcome this crisis,' [Greece's president] Papoulias said [in 2011], adding that he had fought the Germans as a 15-year-old boy. 'So who is a traitor? They should be ashamed!'” (Georgopoulos and Flynn 2011) Austerity demands either of the two sides to be pure, since both sides defend the nation against corruption, which is to say that austerity uses one against the other and destroys both.

What remains is the 'Greek nation'; an empty affirmation since the nation under austerity has split into two mutually exclusive purities, each of which affirms itself as the entire nation by excluding the other. In this movement of escalating political accusations and historical fragments, *metapolitefsi* and its preceding dictatorship become one. It is not by coincidence that the choice of metaphors selling the tropes of 'sacrifice' and 'corruption' is medical in both cases. 'Crisis' itself is a medical metaphor (Roitman 2014: 15). Austerity is “bitter medicine,” to be consumed “again and again both because it is the only way back to health and because it is right that the Greeks learn a lesson the hard way” (Varoufakis 2010). Likewise, those arguing that

austerity works are attributing this success to their “country's willingness to take the bitter medicine of austerity” (Jansen 2012). The very same metaphor was applied by junta leader Papadopoulos during the 1967-1974 dictatorship, comparing Greece to a patient suffering from an infatuation with Left-wing politics (Van Dyck 1998: 16-19)

Connecting and uniting *metapolitefsi* and the preceding dictatorship is the third conversion of the austerity transposition, which is actualized in the self-destruction of Greek society in the form of the two previously discussed empty negations of sacrificial purity. 'Crisis' rewrites history: it “refers to the retrospective effects of events and to their constitutive presuppositions” (Roitman 2014: 19). In the Greek case, it rewrites it in terms of economic necessity, sacrifice and corruption, where the only 'cure,' as it were, is more of the same disease (Mirowski 2013: 346-348). To be sure, a significant part of this logic or rhetoric is self-serving.

Greek elected officials “argue in defense of their economic policies that they have few choices in a world dominated by powerful foreign forces” while they “indirectly but substantively encourage, if only by inaction, the development... of a systemic hostility to foreign workers – whose plight, ironically, reproduces that of Greece and its people... in relation to the powerful countries of the West” (Herzfeld 2011: 25). Austerity nationalism projects *metapolitefsi* as a direct continuity with the Greek military dictatorship. Left and Right converge in this empty nationalism and its continuous escalation. This falls on fruitful ground. Traditionally, the Greek Left after the dictatorship had “been critical of Greece's association with NATO and the European Economic Community,” claiming that it “continue[s] to make Greece a 'dependent' nation” (Psacharopoulos and Kazamias 1980: 130). To Left and Right alike, austerity remains *to kheno dhaktilo*, the foreign imposition. Yet austerity is also an alternativeless cure to a disease, a disease reinforced by those refusing to 'sacrifice' – to acquiesce to austerity – which is to say, as

discussed above, ultimately by the entire Greek society. The government's opposition to most or all of society is thus continually reinforced. It is inevitable to antagonize all of society. Enemies proliferate endlessly: corrupt, obstinate, parasitical. It is necessary to purge, to purge again, to purge further: "The strategy that is evidently being pursued...is a flight forward, with a view to imposing even greater flexibility on labor, increased austerity, more privatizations and harsher development of the machinery of repression" (Sakellaropoulos 2012: 362).

At first, this includes a continuous escalation of police measures, escalation of austerity, escalation of internal militarization. These are ultimately reinforced by the escalation of nationalism to racism (Milios 2007). The idea for which the Greek nation is mobilized, austerity, is merely the movement of its own vanishing in self-destruction. Likewise, the nation mobilized in austerity discourse is only its own empty affirmation since it excludes the remainder of society as corrupt. For this to gather a positive content beyond the mere act of mutual exclusion, Greek nationalism must return to the idea of the Greek nation itself in whose name sacrifices are justified.

This nation, however, can only emerge as an unspecified, unqualified, and hence undivided content out of this double movement of political mutual exclusion and economic self-destruction. Were it divided and plural, the tropes of sacrifice and necessity would return, and the plural parts of the nation would elevate themselves once more to the position of mutual total exclusion. The undivided nation is thus upheld as a justification for constant purges of the corrupt, which is to say, of external elements. Greek austerity is thus nativist. As Golden Dawn lawmaker Christos Pappas claimed in 2012: "[t]he illegal immigrants that have come here, who enjoy, if you will, all the rights and privileges that come from Greek taxpayers are illegal, invaders. They are a threat to Greece" (BBC 2012). The weaker the nation's abstractly conceived social fabric

becomes, the more urgently and violently this nativism must be upheld to reinforce it.

Here, Greece returns to European typicality: nationalisms and fascisms have gathered large numbers of voters particularly in the 2014 election for the European Parliament (Shoichet and Boulden 2014). This is also not without historical precedent: the rise of fascism and the triumph of austerity coincided in Europe's 1920s (Blyth 2015: 186-188, 193-197). Indeed, throughout the twentieth century and into the twenty-first, “austerity measures” have not only “often created a wave of violent protests and massive civil unrest,” but the two have also frequently fueled each other: “[e]conomic conditions can deteriorate further and faster if political and social chaos follows attempts to reign in spending” (Ponticelli and Voth 2011: 2).

Yet, the nativist phenomenon also reinforces the liquidity-solvency conversion inherent in the country-fundamental transposition as well as the austerity transposition's morally overdetermined methodological nationalism. The nation, deployed as abstract sacrificial unity serving debt, is a function of the European banking circuitry's self-preservation project: “[t]he rhetorical language of national governments in defense of national interests, values, identities and peculiarities is part” of “[t]he way national governments 'sell' neoliberal restructuring... to their national citizens,” a way which “can be best described in terms of the rise of a new populism” (Holman 2004: 722). This populism is particularly vitriolic in Greece since “[t]he crisis allows Greeks to blame two very different sets of outsiders for the present malaise: the wealthy managers of the IMF and foreign banks, and the indigent immigrants on the streets,” conflating these two groups as described above to allow “the insidious leaching of racist attitudes into the body politic by disguising it as reasonable resentment on the part of a nation of victims” (Herzfeld 2011: 23).

Greece's peculiarity in the context of the so-called Eurozone crisis thus consists in

simultaneously being too typical and not typical enough to be paradigmatic for the GIIPS category. On the one hand, its austere nationalism is merely an effect of a European dynamic to be expected under austerity. In that sense, Greece is no exemplary site; neither particularly promising nor particularly devastating. On the other hand, the idiosyncratic Greek context exacerbates austerity by turning it into a movement in which empty nationalism becomes nativism before the backdrop of the military dictatorship (Dalakoglou 2013: 283-292). Either way, Greece is not the paradigm it is assumed to be in the conventional narratives. Rejecting these narratives thus allows one to identify, as chapter six does, Portugal's and Spain's austerity as differing from Greece's.

### 5.6 Site of resistance?

With SYRIZA's rise after 2012 and ascent to government in early 2015, one last Greek idiosyncrasy emerged where the country appeared to pave the way for the rest of Europe. Indeed, Greece's long history of Left-wing revolts beyond PASOK has supported claims of the country being a privileged site of radical resistance to austerity (Herzfeld 2011; Giovanopoulos and Dalakoglou 2011; Douzinas 2013: 1-18). Thus, it is all the more devastating, as this section shows, that furious self-destruction structures Greek radical resistance to austerity just as it structures its mainstream acquiescence and resistance.

This does not seem to be the case at first glance; quite the contrary. The claim that Greeks are in debt – endlessly in debt – is a double-edged sword for lenders, even a boomerang. Certainly, in the upper strata of Greek society, it entails a commitment to restoring the political and economic conditions to fulfill Greece's duties to its fundamental – a commitment conveniently excluding these strata's commitments to paying their taxes (Heyer 2012). Yet, the concept of debt also allows Greek resistance to coalesce, inviting political and moral counter-

claims, since the argument for Greece's indebtedness – and its fidelity to repaying its debts – is morally charged as well (Lazzarato 2012: 166). Prior to its electoral plurality in 2015, SYRIZA had been able to draw electoral strength and credibility by claiming a moral cause for reversing austerity (Beeton 2013: 1499).

Moreover, the claim of debt as a moralistic overdetermination of austerity – turning it into endless debt, excessive debt – is a moral claim overburdening itself and returning to its violent origin: repaying debt, “labor goes hand in hand with work on the self, with self-torment” (Lazzarato 2012: 42). Its violence invites violent quasi-reciprocity: “killing an American diplomat or kidnapping a banker can sometimes be presented as an instance of reciprocity and assimilated to familiar ideas about obligation and debt. Debt thus conceived is primarily not so much financial as moral” (Herzfeld 2011: 24). Within austerity, debt's morality exceeds reciprocity. It can therefore only return to reciprocity in the form of a moral economy of resistance. Such resistance arose everywhere as soon as austerity's attacks upon the Greek social fabric began: “[e]conomic decline and austerity policies were accompanied by a series of mass demonstrations and strikes” (Milius 2013: 198). Moreover, “most of the massive events” between 2010 and 2013 “were spontaneous, grassroots movements. The Left embraced them but did not create them” (*ibid*).

SYRIZA is a product of these grassroots movements (Wainwright 2014: 247). This distinguishes it from both social democratic PASOK and the Communist Party KKE. While SYRIZA attempted to form and maintain a grassroots approach – as well as integration into the European Left (Tsipras 2014) – KKE remains a professional cadre party. “Providing a constant reminder of the political methodology [SYRIZA was] trying to avoid was the KKE, one of the last orthodox Communist parties in Europe, self-confident in its self-imposed isolation and wary

of contamination with 'unorthodoxy'" (Wainwright 2014: 247). Even while resisting the self-destructive spirals to which austerity subjects PASOK, KKE remained a mirror of the self-destructive dynamics of 'necessity' and 'sacrifice.' It remained a mirror partly because, like most orthodox communist parties, it engaged – and still engages – in frequent internal purges between its political factions. After sharp rifts over parliamentary acquiescence to the Maastricht Treaty in 1992, the latest split of KKE occurred in 2000 when a section broke off which eventually joined SYRIZA (Giovanopoulos and Dalakoglou 2011: 105-109).

More importantly, KKE remains a mirror image of the Greek political system, reinforcing the ostensible alternativelessness of PASOK and ND throughout *metapolitefsi* and into the so-called Eurozone crisis, and remaining distinctly pacified and disdainfully aloof, in parliament as much as on the streets of Athens. In the December 2008 riots, "the KKE was conspicuous both for its absence from the mobilizations and its preference for marches of party members headed in directions entirely different from the other demonstrators and keeping well away from government buildings" (Sakellaropoulos 2012: 346). Likewise, during the 2010-2012 protests against austerity, the union associated with KKE (the 'All-Workers Militant Front') did mobilize strikes and occupations, but "these mobilizations were under the complete control of the party without a grain of initiative from the rank and file," with "the C[ommunist] P[arty] [...] again assum[ing] the role of the police repressing any radical initiative or action, as it has done many times in the past" (TPTG 2011b: 269). On both occasions, the KKE "proved unable to comprehend changes in the social composition of working people and their influence on the politics of resistance" (Douzinas 2013: 8).

Moreover, when then-secretary general Aleka Papariga publicly stated in 2008 that KKE would uphold law and order in its demonstrations (a quip directed against anarchist protests), the

party received “official congratulations – by the right-wing government and the extreme-right party LAOS – for its denunciation of violence and its respect for the government's right to impose 'law and order'” (Giovanopoulos and Dalakoglou 2011: 107). It was not coincidental that LAOS (Popular Orthodox Rally), a right-wing extremist party whose brief tenure in the 2009–2012 parliament (15 seats) ended when openly fascist Golden Dawn took these seats, would join PASOK and ND in applauding KKE's law-and-order stance in 2008. “There is nothing at all coincidental about the plaudits heaped on the KKE by parliamentarians of New Democracy and the far-right LAOS [...] for its 'responsible' stance during the [2008] mobilizations” (Sakellaropoulos 2012: 346). KKE at times actively tried to gather nationalist votes, arguing that it would be possible for workers who had voted fascist to change their votes (International Communist League 2012). To be sure, with this isolated and insubstantial stance, KKE may be untouched by the self-destructive forces unleashed by austerity, but it is also incapable of stopping austerity or providing anything else as a solution (Baudrillard 1977).

The triumvirate of PASOK, ND, and KKE thus remained within the conceptual framework of the so-called Eurozone crisis. This extended beyond the narratives of state profligacy and debt rather than the alternatives presented in this study (Lynteris 2011: 211; Blyth 2015: 73). Greek anti-austerity remains framed in terms of nationalism: national solidarity opposed to economic necessity (New Democracy); national solidarity within and subject to the boundaries of economic necessity (PASOK); ostensibly international, but mostly national, solidarity subject to self-imposed isolationist orthodoxy (KKE). In all these cases, responses to austerity remain within austerity nationalism. The geographical scope of solidarity is limited by nativism; the practical scope is limited by 'necessity'; and the affective scope is limited by constant purges in the name of 'corruption' and ideological purity. The political economy of the country most often

posited as the privileged site of resistance to austerity thus cannot escape the limitations imposed by being a product of the austerity nationalism which constituted it.

Nevertheless, the assumption that Greece occupied an exemplary position within the European moral field of austerity, as its exemplary victim and hence exemplary site of resistance, invited arguments about an endlessly expansionary solidarity to emerge in this privileged site: “an attempt to reactivate the conjunctive body, as a form of therapy on the disempathetic pathologies crossing the social skin and social soul” (Berardi 2012: 132). Some have argued that such resistance was to be found in the two anti-austere political forces of Greece not yet discussed: anarchists on the one hand; SYRIZA on the other (Wainwright 2014). It is not coincidental that these two appear here simultaneously: both of them arose out of spontaneous uprisings, organizations, events, crystallizations, and happenings after the murder of Alexis in December 2008. Here, “clashes between demonstrators and the police took place virtually on a daily basis”; simultaneously, “there were cultural interventions, with ‘happenings’ in the streets, events staged in shopping malls, artistic presentations, etc” (Sakellaropoulos 2012: 341).

SYRIZA in particular is noteworthy because it emerged partly out of remnants of socialist and communist parties, partly out of the 2008 grassroots movements (Wainwright 2014: 246-249). At the same time, a lot of these movements were associated with anarchist circles, often finding their center and/or space of refuge from violent clashes in the notoriously anarchist Athenian quarter of Exarcheia (TPTG 2011b: 263). Given the already considerable politicization of Greek students, it is not surprising to find among these a large anarchist contingent. This connects the 2008 moment to the 1973 uprising against the military dictatorship, not only because of the practice of university occupations coinciding with the official remembrance of the 1973 Polytechnic occupation (Giovanopoulos and Dalakoglou 2011: 107). Explicit allusions to

the post-dictatorship liberation could be found in the context of anti-austerity protests as well: for example, the TPTG collective narrates how, in 2010 in Athens,

a middle-aged municipal worker with stones in his hand was telling us, moved, how much the situation there reminded him of the first years after the fall of the dictatorship when he was present at the 1980 demo in commemoration of the Polytechnic uprising when the police murdered a women, the 20-year old worker Kanellopoulou (TPTG 2010: par. 13).

Anarchists belong “to a long tradition of anarchist/anti-authoritarian action in Greece” (Kallianos 2011: 155). Their diversity is noteworthy. Anarchy in Greece has been “forged not only by anarchist thought (from Bakunin, say, to Bookchin), but also by select radical-revolutionary Marxist thought. The Situationists have been a permanent and hugely influential fixture in the theoretical landscape, and so has Autonomy,” whether French, Italian, or German (Boukalas 2011: 281). How have these groups constituted movements capable of opposing austerity's aneconomy with an expansive social antieconomy? That anarchists are anti-fascist and anti-nationalist is a self-evident element of their anti-austerity stance: anarchists have repeatedly burned Greek flags (Giovanopoulos and Dalakoglou 2011: 106), identified their European and global solidarity (*ibid*; Anarchist Black Cross 2010), and attacked fascist individuals and infrastructures (Trocchi 2011: 302).

Yet, to understand the specific position that allows Greek anarchists to be an aneconomic movement beyond such symbolic gestures, one must consider that the 2008 unrest coalesced and crystallized around anarchist groups. In December 2008, “[a]narchy de facto found itself at the leadership on an ample and hugely varied sector of [Greek] society, set to create situations that often challenged” the status quo. The 2008 uprising's “organizational forms, its demands, its discourse” had “all been practiced by Anarchy [sic!] for decades,” yet now became “the property of wide parts of the population and [were] viewed with aspiration, awe, and/or empathy even by

people not involved in the uprising” (Trocchi 2011: 283). Responses to the 2008 events, seemed to unite substantial parts of Greek society:

...before the 6<sup>th</sup> of December you couldn't understand that there were powers in society that could react in such an instantaneous and magical way. So it was all related to the anarchist movement, but we call it insurrection because it extended beyond the movement (Little John 2010: 107).

Another activist recalls how

[w]e forgot about our separations and we moved together, we mixed, we weren't in separate blocs. Everyone rallied around the antiauthoritarian movement. I don't only speak about anarchists but also leftists and autonomia (Andreas 2010: 110).

The insurrection became pervasive for a while:

I think the major result of December in Agrinio and maybe other villages and towns in the countryside has been that more women and men in their 30s and 40s, people from the generations of our grandfathers and our fathers, and also more leftists, are coming nearer to the anarchist and antiauthoritarian ideas (Elina 2010: 270).

Solidarity seemed to even spread across the European 'periphery'; for example, to Barcelona:

“On the 20<sup>th</sup> of December, the day of international solidarity, we organized another protest” (Pere 2010: 186). Simultaneously, this seemed connected to local, direct political action which remained at the center of the revolt:

Thousands of people went out to the streets, demonstrating and fighting against the police. Riots became very violent, and hundreds of banks, luxury shops, and cars were smashed and burned, as well as whole buildings (Papadimitropoulos 2010: 62).

For a brief moment, it seemed as if anarchists would be at the center of a new solidarity-based sociality; a role they attempted to carry over into anti-austerity protests (TPTG 2011a: 118).

Like the anarchists at the front of post-2009 responses, SYRIZA emerged out of the 2008 unrests. It broke onto the Greek political scene forcefully when the “people overthrew the [interim] Papademos technocratic government, forcing the national elections of May 2012,” and making SYRIZA the “major opposition in Parliament” against Antonis Samaras’ ND/PASOK

government (Milios 2013: 198). From its inception, SYRIZA's main characteristic had been “that it sees itself as more than simply a means of political representation for movements, but as being involved practically in building the movements” (Wainwright 2014: 246). This allowed SYRIZA to maintain, besides its electoral strategy, a direct contact with activism, thus contributing to alleviate social hardships.

For instance, as the cuts destroy[ed] the public-health system, doctors and nurses in Syriza [sic!] are involved with others in creating medical centers to meet urgent social needs and at the same time pushing for free treatment in public hospitals and campaigning to defend health services (*ibid*: 248).

Moreover, unlike the services organized by LAOS and Golden Dawn, SYRIZA's are not limited to Greek nationals (*ibid*). On the other hand, of course, this matters little since the provision of such grassroots services merely frees the state from having to provide such services, thus supporting their neoliberal, and ultimately austere, privatization (Harvey 2005: 75-76).

Maintaining its contact with the Greek social fabric not only helped SYRIZA prevent the “[b]ureaucratization of the workers' movement [which] hindered the development of simultaneous practices of movement solidarity” and allowed it to “not just support the youth revolt but also successfully represent it in the central political arena” (Sakellaropoulos 2012: 344). As an umbrella organization of various left-wing strands, it also allowed SYRIZA to maintain contact with social movements in Greece, thus further contributing to attempts at preserving the country's social fabric – an endless labor since austerity's attacks on this very fabric are endless (Zizek 2015). At the same time, SYRIZA also attempted to rally European solidarity, to “clear [...] the way for the European left to return to its roots and rediscover the alternative models that are a nearly-forgotten part of its heritage” (Guinan 2013: 54).

During this period, Spanish anti-austerity left-wing party Podemos, in particular, joined forces with SYRIZA, although it subsequently retracted its position (Yardley 2015a). SYRIZA

thus briefly seemed capable of combining European antinationalism with the endless labor of anti-austerity solidarity, thus pushing for “initiatives for change from within government structures with support for developing wider, more radical sources of power outside” (Wainwright 2014: 245). Anarchists and SYRIZA may be united, it seemed, in the goal “to create non-capitalist social relations in the present rather than defer them to 'after winning power'” (*ibid*). Moreover, both seemed to combine this goal with radical changes in the political economy of the Eurozone, comparing austerity to, as finance minister Varoufakis of SYRIZA put it, “fiscal waterboarding” (Henley 2015). Both anarchism and SYRIZA thus seemed to contribute to the reconstruction of the endlessly ravaged social fabric of Greece through equally endless social renewal. Was this a promise too good to be true? In chronological order, the unraveling of anarchism's promise – its lapse into a self-destructive spiral of its own – occurred earlier than SYRIZA's lapse into nationalist austerity acquiescence. In both cases, the point of success and highest hopes almost immediately preceded the fall: in anarchism's case, by a year and a half; in SYRIZA's case, by one day.

If December 2008 was Greek anarchism's point of highest political potential, May 2010 marks the point where its internal contradictions, tensions, and misalignments violently erupted and its demise as a coherent political movement began (Trocchi 2011: 308). As many noted, Greek anarchism had a unique chance in December 2008 to spearhead a genuine people's uprising; a “historical opportunity to open up to society: to explain, propose, mobilize, organize, discuss, understand, convince, change, and be changed” (Boukalas 2011: 283). In 2008, all was filled with “people wanting to create a change but not knowing how. Then the groups that thought they were the specialists, like the leftists and the anarchists, they lost their place in the hierarchy immigrants and students and people with no political identity were out in the streets”

(Iulia 2010: 303).

Rather than accepting the latter as a positive change, however, anarchist groups rejected the opportunity, resorting instead to “avant-guardist logics and... contempt for human life” (Panopticon Journals et al. 2010). As a result, “[v]iolence as an end in itself ... [was] propagated constantly for years,” particularly in the 2008-2010 time frame (TPTG 2010). Anarchists did not embrace – as SYRIZA later did – the new-found opportunities to form a coherent anti-austerity response, taking up the social necessities in a country ravaged by both the 2007-2008 shocks and combining them with international solidarity (Giovanopoulos and Dalakoglou 2011: 106). Rather, they embarked upon a movement of internal purges and purifications. Not unlike PASOK's self-destruction through the 'corruption' trope, anarchists alienated the Greek populace “by a radical division of the participants [in post-December 2008 situations] between 'insurgents' and 'non-insurgents,' where the latter category included leftists, democrats, slackers, unionists, etc. – i.e. everyone who was not anarchist” (Boukalas 2011: 283).

This dynamic paralyzed the vast majority of Greek anarchists. Internal purges occurred between anarchists attempting to establish a purified version of anarchy, and those who differed from this version. Thus, “competition for the most 'advanced,' the most 'dynamic' action, the most aggressive and seemingly uncompromising 'attack'" within a “vainglorious competitive culture of militaristic machoness” spreading within Greek anarchy led ultimately to a situation in which “the revolutionaries, being so preoccupied with changing the world, had forgotten to change themselves and were thus bound to reproduce the same old world in ever more suffocating and brutal versions of authoritarianism” (Flesh Machine 2010: par. 6).

The event in which Greek anarchism's tidal wave broke was the death of three employees of the Marfin bank branch in downtown Athens on 5 May 2010 (Bilefsky 2010). On this day,

protests – violent at times – culminated as the Greek parliament discussed the third austerity package (Papadimas and Maltezou 2010). In the course of the protests, the bank branch was lit on fire by self-proclaimed anarchists (Occupied London Collective 2010a). Certainly, the deaths cannot be attributed exclusively to anarchists. The dead were trapped inside the bank branch which had been opened that day at the insistence of its owner and despite knowledge about damages done to other businesses during the protests (Anonymous and Occupied London Collective 2010). The employees, 35 year old Paraskevi Zoulia, 32 year old Aggeliki Papathanasopoulou (four months pregnant), and 36 year old Epameinondas Tsalakis, suffocated in the flames (Occupied London Collective 2010b; Chapple 2012).

In the days following this attack, the intra-movement discussion overwhelmingly condemned the violence and identified it as contrary to anarchist ideals and practice: “Anarchy is struggle for life, not death” (Panopticon Journals et al. 2010) and “as political beings, we are ... responsible for every single of our political choices, for the means we have impropriated and for our silence every time that we did not admit to our weaknesses and to our mistakes” (Occupied London Collective 2010a). The deaths were attributed to an overwhelming extent to a vanguardist logic: “Overall, in a demonstration of 150-200,000, unprecedented in the last few years, is there really a need for some 'upgraded' violence?” (ibid) Such merely individualist and vanguardist violence proved self-destructive for the movement: “the anarchist identity – as developed in Western Europe and North America since the 1980s and taking hold increasingly in Greece – is structurally counter-revolutionary,” since it embraces a Blanquist attitude of revolutionary activity as a profession (Trocchi 2011: 309-311). Subsequently, Greek anarchism lost much of the public appeal it had gained in December 2008, though it regained some appeal to Greek youth through the hunger strike of anarchist student Nikos (a close friend of Alexis,

whose death had sparked the December 2008 riots) in a Greek prison in 2014 (Megaloudi 2014).

Greek anarchism was thus subject to a self-destructive spiral, structurally similar to those of PASOK, ND, and KKE. Here, too, a logic of escalation resulted in a movement of internal purification to the point where anarchism, rather than offering open-ended anti-austerity avenues, became “an ontological category and an existential identity differentiated from the rest of society” (Boukalas 2011: 284). Just like in the case of the KKE, whose ontological purification disassociated it from society and condemned it to a fringe existence, and just like with PASOK and ND, whose own ontological purifications resulted in nationalism and nativism, the ontologically purified version of anarchism entailed its retreat into vanguardist militancy and violence for violence's sake.<sup>41</sup>

Moreover, the burning of the bank branch gave the Papandreu government (PASOK, ND) a means to isolate and suppress anarchist (and broader) revolt. From a certain perspective, it is also this backlash by the Greek government and its police and military forces which characterizes the so-called Eurozone crisis as far as the Greek context is concerned. It is a reactionary occurrence, a re-establishment: “in the Spring of 2010 we stand before an officially sanctioned and governmentally organized Economic Crisis … [a] counter-event that, if it fails to explain December 2008” (which has also been attributed to economic conditions by some observers) “certainly manages to substitute it as the true field of decision, as the real crisis” (Lynteris 2011: 210). Worse still, anarchists' own reputation hinders their rejection of this transposition: “...the Greek anarchists, who have a long history of political activism and working-class solidarity, are reputed to be among the most destructive of the current crop of activists...” (Herzfeld 2011: 23).

---

41 Gustav Landauer, one of the most prominent proponents of project-based constructive anarchism, had already warned against such developments when he wrote against turn-of-the-20th-century 'propaganda of the deed' anarchism: “what has the killing of people to do with anarchism, a theory striving for a society without government and authoritarian coercion, a movement against the state and legalized violence?” What drives violent anarchists, he wrote, “is vanity – a craving for recognition.” (Landauer 2010: 85)

Moreover, this destructive attitude reinforces PASOK's and ND's opposition to society by boosting their self-righteous approach to implementing austerity despite all political, social and economic resistance. It has been suggested that austerity is implemented because of this resistance:

According to the social-democratic discourse disseminated through the media, what both December and the Economic Crisis have demonstrated is that Greece is permeated by an 'anti-democratic culture,' which posits individual and group interests against the General Good (Lynteris 2011: 212).

Right and Left, Anarchists and Vanguardists, Unionists and Communists are lumped together in this notion. Reacting to the deaths, Prime Minister Papandreou (PASOK) mentioned neither the reasons for the revolt nor the police violence surrounding the incident, but merely remarked that “[v]iolence breeds violence” (Brabant 2010).

In line with these developments, SYRIZA's return to nationalism after its plurality in the January 2015 parliamentary elections is not surprising. Nor is its subsequent acceptance of austerity, where it, as one observer put it, “finally caved” (Weissman 2015). Rejecting austerity with its ostensibly German genealogy could easily be identified not just as a foreign imposition, but as a specifically German one (Owen Jones 2015). As such, comparisons with the Nazi occupation are often suggested in Greek nationalist discourse (Georgopoulos and Flynn 2011). With the involvement of the IMF, moreover, anti-American sentiments derived from the U.S. role in the Greek military dictatorship are not too far either: “[f]or the abundance of conspiracy theorists on both the left and right, [the IMF's] involvement is part of a grander, but seemingly no less implausible, plan to subjugate Greece after draining the country of its resources” (Smith 2010). In the methodological nationalism interpreting austerity as a German and American imposition, the Greek Left and Greek Right meet. “This has gone beyond economic matters to a battle for national independence,’ says Manolis Glezos, the leftist who shot to fame snatching the

swastika from the Acropolis shortly after Hitler's forces streamed into Athens in 1941" (ibid).

This very same Manolis Glezos currently serves for SYRIZA in the European parliament (as of April 2015).

One day after SYRIZA achieved electoral plurality, on 26 January 2015, SYRIZA's coalition with right-wing party ANEL was formed (To Vima 2015). Neither the coalition nor the speed with which it was formed were surprising. Some have ascribed this to Greece's "long history of colonization and occupation" (Blockupy 2015). But that this is far too easy an explanation. Rather, the specificity of the methodological nationalism underlying the SYRIZA-ANEL coalition can be shown by comparing ANEL's qualities as a partner in a coalition with those of another contender, the center-left pro-European party *To Potami* (The River).

A number of observers had predicted a coalition with *To Potami* in the event of a SYRIZA plurality in January 2015, including the leader of *To Potami* himself, Stavros Theodorakis (Mackenzie and Georgopoulos 2015). This made sense since *To Potami*, like SYRIZA, rejected austerity, and like SYRIZA, aspired to remain in the Eurozone. Moreover, *To Potami* offered what observers called 'respectable experts' to be added to Alexis Tsipras' future cabinet (Martens 2015). To be sure, some have pointed out immediately after the election that *To Potami* never explicitly rejected austerity (Mackenzie and Georgopoulos 2015; Papanikos 2015: par. 4). Yet, it would not be hard to imagine that a SYRIZA-*To Potami* coalition would have remained on an anti-austerity course while simultaneously endorsing a firmly pro-European agenda focusing on anti-corruption measures (Konstandaras 2014).

Nevertheless, SYRIZA chose to form a coalition with ANEL, a coalition whose common denominator was not the rejection of austerity *tout court*, but its rejection based on a nationalism (Balezdrova 2012; Mason 2012). The short duration of the coalition makes it hard to say whether

it did indeed steer more of a nationalist course. An indicator is the rhetoric it employed during the Greek-European standoff in May and June 2015 over the third bailout package. Panos Kammenos in particular, the only ANEL minister in Tsipras government, emphasized the bilateral struggle against Germany in nationalist rhetoric: “I get the feeling that the German government is out to get us and some really want to push us out of the euro zone” (Michelle Martin 2015). Nor had returning to the Drachma, for example, ever been out of the question for SYRIZA's left wing (Bouras 2015). That this question arose at all – that the SYRIZA-ANEL coalition gave rise to fears of nationalism – suggests serious doubts about SYRIZA's antinationalist trajectory. At the end, SYRIZA's acceptance of austerity is not surprising, since it had accepted both the 'crisis' and methodological nationalism from the beginning.

With social democratic redistribution failing to prevent austerity, and with KKE 'workerist' nationalism failing to distinguish itself from Golden Dawn's fascism, the collapse of anarchists' and SYRIZA's anti-austerity potential removes the last possibilities for Greece to be a significant site within the so-called Eurozone crisis. The disappearance of the latter two in particular – Greek idiosyncrasies whose European appeal, at least in SYRIZA's case, briefly emerged and disappeared again – reduces Greece to a mere parallel to Germany, Spain, Italy, Ireland and Portugal; all of which occupy similar functional positions in the European banking structure, the country-fundamental transposition and the austerity transposition.

### 5.7 Conclusion

The hopes attached to Greece from the perspective of the European Left – fears, from the perspective of the Right – are overly exaggerated in both directions. Far from being the special site of vindicated austerity, institutional reform, or radical resistance, Greece's economic and political sceneries rather suffer from irreducible defects, misalignments, over- and undershoots,

and destructive and self-destructive tendencies. At the core of all of these, just as in Germany, is a self-defeating nationalism, both economic and political, returning all political and economic forces continually to the abyss of self-defeating radicalization.

I have shown in this chapter that Greece is not the site of the final vindication of austerity. This is not surprising given the results of chapters three and four. Like Germany's politics and economy, Greece's are those of a European subcircuit, and only posited as national economy by austerity's methodologically nationalist conversions. Greece's economy cannot survive in the context of the so-called Eurozone crisis – particularly the aspects of it which are a growth crisis (Shambaugh 2012: 169-175). In Greece's case, the constitution of a national economy is superimposed upon a subcircuit whose internal periphery is relatively poorer than Germany's and whose core is dependent on international trade and financial flows in which Germany's is not. The so-called crisis has thus had a much harsher effect on Greece than on Germany. Its austerity is therefore economically self-defeating to an even larger extent and has far more devastating social effects.

To a significant extent, this is deliberate: austerity's goal is not economic in itself, but starts from a purely destructive moral economy of condemnation (Blyth 2015: 178-226). Just as Greece's supposedly national moral responsibility for the so-called crisis exceeds that of the remainder of the GIIPS countries, therefore, so its economic suffering is rightfully deeper. At the same time, Greece can thus serve as a warning to Italy, Ireland, Spain, and Portugal.

Nor is Greece a site of European institutional reform. The political organizations capable of such a reform even within Greece, *New Democracy* and the “formal Left” (Alkis 2010: 9), centered around PASOK, could not escape austerity's destructive trajectory once they started implementing it. Inevitably, as I have shown, their stance puts them in opposition to all social

groups opposed to austerity. Given austerity's all-encompassing destructive trajectory, this development is reinforcing itself: more and more social groups become enemies of the Greek mainstream parties as they are affected by austere governmental impositions. By the same token, however, the formal Left and conservative center impose austerity in the name of the nation, believing they serve economic necessity, which results in a further self-destructive reinforcement. When all of society is opposed to the mainstream parties, they find themselves identified by society as traitors at the same time as they uphold the very nationalism in whose name they are seen as traitors. The nationalism they espouse descends into empty negation, and *metapolitefsi* merges with the former dictatorship. All forces of the parliamentary political spectrum get caught in this general collapse.

Likewise, the KKE gets caught up in a hyper-inertia which is a hyper-nationalism and, ultimately, a cooperation with fascist forces. KKE remains in haughty isolation, unaffected by austerity and yet incapable of engaging it politically for the very same reason. Likewise, anarchists get caught in a self-destructive identitarian violence resulting from the same austere destructive movements pervading all of society. Finally, as I have shown too, not even SYRIZA can escape, as its coalition with ANEL turned out to be more nationalist than SYRIZA's European rhetoric promised.

Yet, these escalations are due to the idiosyncratic background of Greek politics, whose oscillation between *metapolitefsi* and the military dictatorship overdetermines the specific Greek incarnation of broader developments such as neoliberalism, the demise of social democracy, and austerity. One must conclude that Greece is not the site of a polar opposition to Germany, as has been claimed (Douzinas 2013; Streeck 2015). It is at once too typical and too idiosyncratic to constitute a European site of resistance to austerity. The methodological nationalism constituting

the Greek sub-circuit as a national economy is the same as Germany's, Spain's, and so forth. Conversely, the *metapolitefsi*/dictatorship continuum responsible for the Greek party system's self-destruction is too idiosyncratic to be typical of other European countries. As the next chapter discusses, for the other GIIPS countries, the so-called Eurozone crisis was not a counterrevolution as it was thought to be in Greece, but a continuity of a different kind. In any case, the conflicts of summer 2015 cannot be said to be German-Greek bilateral conflicts (Owen Jones 2015). Germany does not gratuitously impose policies upon Greece. Nor is Greece the site of the potential overthrow of the Northern European regime. Both Germany and Greece come to occupy these positions within a European field of economic and political relations: a field differentiated along an economic core/periphery axis for the purposes of the country-fundamental transposition, and along a moral core/periphery axis for the purposes of the austerity transposition.

### 'Periphery'

This chapter explores the Portuguese and Irish as well as Italian and Spanish subcircuits of the European real economy in a way which takes up neither the category of 'crisis' nor that of nationally distinct varieties of European capitalism. Thus, my analysis in this chapter simultaneously rounds out my critique of the 'sovereign debt crisis' narrative underlying the austerity transposition. 'Peripheral' governmental 'profligacy' occurred because European subcircuits are projected as competing economies, not the opposite. Discussing Portugal, Ireland, Spain and Italy in this way means abandoning a perspective proceeding from their common GIIPS designator, which is to say, a perspective seeing them as a 'periphery' exemplified by Greece and in opposition to Germany (Guillén 2012: 60-61; Hall 2014; Streeck 2015). As seen in previous chapters, the austerity transposition converts European real economic subcircuits into national economies, guaranteeing the proper function of the country-fundamental transposition upon which the European banking system's operations rest, only to put them in competition with one another (European Commission 2012a: 2). From the effects this has had on Greece, investors deduced similar effects on Italy, Ireland, Portugal and Spain, and the resulting lending withdrawals fulfilled the prophecy (Blyth 2015: 62-64).

By contrast, I have argued in the previous chapter that Greece is not typical enough to serve as the paradigmatic case of the GIIPS category. The present chapter is therefore free to develop a circuitist interpretation of the Eurozone's economy. Circuitism is a theory radicalizing Keynes' insight that any theory of production must first and foremost be a theory of investment (Wray 1996: 449-454; Gnos 2006: 92-93). The circuitist approach therefore allows me to put the European banking system at the center of analysis. Not only does it allow me to characterize the 'crisis' as a lending freeze engendering a growth freeze, but moreover, to put the European

banking system in an analytically primary position, describing so-called national economies as its subcircuits, transposed to national economies through austere methodological nationalism (Shambaugh 2012: 169-175).

The 'exposure' and 'contagion' of banks in relation to supposedly national macroeconomic risks which European banks claimed as justification for freezing lending were rather a result of self-fulfilling portfolio reallocations, as I have discussed in chapter two of this study (Olgu 2012: 196-197; Botta 2013: 422-424). Supposedly national economies are traversed and constituted by European funding flows – particularly from the 'core' to the 'periphery.' In 2010, “[l]arge exposures to Portugal were present in Germany and Belgium; to Spain in Germany and Belgium; to Italy in Germany, France, the Netherlands, Belgium, Luxembourg, Austria, and Portugal; and to Ireland in Germany and Cyprus” (Bastasin 2012: 273). Once these were retracted, the so-called crisis began.

I also engage the circuitist approach in this chapter because its notion of 'crisis' is underdeveloped, which allows me to operate outside of the 'crisis' / 'anti-crisis' dichotomy (Roitman 2014: 91). A crisis, in circuit theory, can only result from households hoarding money: “if households keep part of their savings in liquid balances, firms as a whole face a deficit in their capacity to reimburse the banks, equal to that amount” (Deleplace and Nell 1996: 15). Likewise, circuit theory claims that a “crisis ensues when a rush to liquidity cannot be met through the normal economic processes” (Wray 1996: 458-460). As some of its advocates admit, this is analytically underdeveloped with regard to institutional setups of economies (Deleplace and Nell 1996: 15-16). What if incentives to hedge or speculate exist for households and firms alike to engage in hoarding rather than industrial production?

More importantly, however, the 'crisis' concept in circuitism is underdeveloped with regard

to the role of banks themselves. If there are greater incentives for banks to invest in financial markets or hoard money by depositing it, why should an industrial circuit be created?

Considerations like these, where a lending freeze can impose a 'crisis' on a real economy without a corresponding crisis in the banking system require a theory without a 'crisis' concept which in turn also allows me to analyze 'crisis' as a stratagem. Circuitist literature fulfills this purpose.<sup>42</sup>

This distinguishes it from Post-Keynesian analyses which would agree on the primacy of monetary and financial circuits over real economies, yet which do contain well-developed notions of crisis.<sup>43</sup>

The empirical point of this chapter's circuitist interpretation of the so-called crisis is twofold. First, I maintain that supposedly national European economies are less national than analyses of the so-called Eurozone crisis assume. The European banking circuit traverses and, to a certain extent, projects the borders of nationally distinct economies; between 1999 and 2009 as much as during the so-called crisis. National specificities do exist. Yet, they are harnessed by the European banking system. Thus, the ostensibly national economies of Portugal, Spain, Italy and

---

42 It could be argued that an acknowledgement of monetary circuits as a solution to Keynesian uncertainty like that by Fontana (2006: 450-451) is an acknowledgement of a Minskyian crisis potential. Yet if it is, it remains implicit.

43 For example, Hyman Minsky's financial instability hypothesis fully acknowledges the endogenous character of financial products and their gradual escalation towards 'crisis' (Minsky 1982; Minsky 2008). Likewise, Minsky agrees with the circuitist perspective that all capitalist entities are ultimately to be analyzed as so many balance sheets, independent of what kind of firm they are. Yet, Minsky's definition of 'crisis' hinges upon the distinction between 'hedge finance' and its derivative forms, 'speculative' and 'Ponzi finance' – a distinction which surreptitiously reintroduces a non-circuitist perspective. The distinction itself seems clear: if the receipts of any given economic unit exceed its payments in a given time, the unit is engaged in hedge finance; if they do not, speculative finance; and if the current operations of the unit in question have to be refinanced by debt roll-over, Minsky speaks of a Ponzi unit. (2008: 79) A crisis, according to this typology, occurs whenever the number of speculative and Ponzi units in an economy exceed the number of hedge units (Minsky 1982). However, Minsky unequivocally states that a "commercial bank cannot be a hedge finance unit." (2008: 230) Thus, a distinction is made between non-financial and financial actors: any commercial bank (and financial actor and – according to the above definition – any nation-state) is automatically speculative, i.e., gravitates towards Ponzi finance. In other words, what distinguishes hedge finance from speculative and Ponzi finance (and thus the dynamic leading towards crisis from periods of tranquility) is whether the unit in question is more than just a balance sheet; i.e., whether it is engaged in industrial production. 'Crisis', to Minsky, is just a reduction of a financial (speculative and Ponzi) economy to an industrial (hedge) economy.

Ireland consist of a set of transposed European economic phenomena. Their national specificity is projected from a European level for the purposes of the country-fundamental transposition.

Secondly, I argue that the purportedly expansionary shock to which the 'peripheral' subcircuits of the European economy had been subject due to the accession to European Monetary Union was less of a shock than conventional analyses assume; as was the purportedly contractive shock of the Eurozone crisis. Temporal continuity traverses the supposed discontinuity of 'boom' and 'bust', 'pre-crisis' and 'crisis' and 'crisis response.' The so-called Eurozone crisis consists of a set of European lending practices, governmental policies, and economic disequilibria whose continuation during the so-called 'crisis' is the often overlooked decisive point of this chapter. To be sure, the mode of implementation of policies has changed in some respects in the transition from pre-austerity to austerity. For example, literature on Spain's wage bargaining processes has noted that pre-2009 concertation between social partners quickly gave way to wage-setting by decree (Hamann 2011). Yet, supply-side policies prevailed before 2009 as much as they have after 2009 (Hamann 2011: 193; Blyth 2015: 256). At the heart of the European economy, the banking circuitry has not changed its practices, as chapter two of this study has shown.

In the second section of this chapter, I criticize the notion of national economies undergoing national varieties of crisis based on the examples of Portugal and Ireland. My analysis of Portugal in the context of the so-called crisis shows that one cannot speak of governmental profligacy in a meaningful way (Reis 2013). Thus, Portugal is best suited to criticize the notion of the sovereign debt crisis. Often lumped together with Greece as an example of profligacy (Lane 2012: 52; Claessens et al. 2012: 270), Portugal rather constitutes a primary example for a European financial subcircuit incapable of distributing international capital inflows in such a

manner that notable growth is achieved (Reis 2013: 138-146). Portugal, therefore, also exemplifies this chapter's circuitist analysis: the effects traversing Portugal's borders are just as important as these borders themselves; 'Portugal' is a transposition.

Moving on to Ireland, I then show that the notion of 'crisis' is as misguided for the European real economy as it has been shown to be for its banking circuitry in chapter two. Ireland suffers from the continuity of governmental policies whose resulting susceptibility to international portfolio movements was heightened rather than mitigated by austere crisis responses (Considine and Dukelow 2011; Palcic and Reeves 2011). For example, Ireland's pre-2009 policies maximized trade openness to benefit from its well-educated, moderately remunerated, English-speaking population (Palcic and Reeves 2011: 181). Post-2009 austerity measures have continued this without alteration; enforced, to be sure, by decree rather than with a relatively greater degree of democratic deliberation, yet continued nevertheless (Considine and Dukelow 2011: 191).

However, the preliminary analysis of Portugal and Ireland, followed in the subsequent sections with one of Spain and Italy, also exemplifies that the ostensibly national variations of the so-called Eurozone crisis are less idiosyncratic and more typical than commonly assumed. "Spain ... is Ireland moved up a few orders of magnitude. Italy is Portugal moved up a few orders of magnitude. The song remains the same in both cases" (Blyth 2015: 65). To be sure, there are idiosyncratic elements, but these remain within the banking circuitry. An example is Italy's involvement in the so-called crisis by a more direct form of the liquidity-solvency conversion than was the case in Spain (Belke 2012: 685). Yet, unlike Greece, the Spanish and Italian subcircuits of the European economy really are more typical than the nationalist perspective allows. Simultaneously subcircuits remain transposed, which is to say, the mode of

their projection remains somewhat idiosyncratic. This typicality does not go far enough to constitute national types of capitalism (Hall 2014; Streeck 2015). Rather, the studies of Spain and Italy presented in this chapter are based on my twofold approach of finding varieties of transpositions: the European transposition underlying supposedly national economies, *and* the continuity of European economic phenomena in the supposedly discontinuous temporalities of 'pre-crisis', 'crisis', and 'crisis response'.

Thus, the majority of this chapter examines Spain and Italy as transposed subcircuits of the European economy embedded into the circuits of European banking. It is not by accident, for example, that Spanish regionalisms *and* Spanish centralization have simultaneously become more virulent during the so-called crisis period. Spain's oscillation between centralization and regionalization is a phenomenon whose continuity throughout the 'pre-crisis' and 'crisis' periods is evident, and yet its modalities frequently change. They at least correspond – or as I will suggest, they respond – to developments in the European banking circuitry. On the one hand, differentiated lending conditions for Spanish regional bonds contributed to stronger regional sentiments. Prior to 2009, Spanish regional bonds' yield spreads to Germany were strongly correlated with their federal equivalents. After 2009, they diverged and, eventually in 2012, came to be essentially nonviable (Colino and del Pino 2014: 168-169). Simultaneously, pressure for Basque and Catalonian referenda became stronger (Lastra-Anadón 2014: 194).

On the other hand, Spanish centralization came to be strengthened by a European development: austerity stipulations, enforced in Spain in 2012 by constitutional amendment, strengthened the Spanish central government by decree in the same years that regionalisms became stronger, 2009 to 2012 and thereafter (Colino and del Pino 2014: 161). Similar developments occurred in Italy, as I will show. In either direction, European banking circuits

traversing 'pre-crisis' and 'crisis' periods unscathed are also able to traverse national economies and regional economies, pitting them against one another in a general European political economy of transpositions.

## 6.2 Portugal and Ireland

The European real economy depends to a significant extent on bank lending (Shambaugh 2012: 162). Since the 2007-2008 turbulences, it has been subject to a lending freeze by the European banking circuitry (Giannone et al. 2011). This lending freeze has not ended as of yet, despite several attempts by the European Union's institutions to restore lending (Praet 2014). It affects all of Europe (Shambaugh 2012: 169-175; Abbassi et al. 2015). Austerity measures depressing effective demand have added further pressures on the continent's economy (Guillén 2012: 57). Nevertheless, and all 'crisis' alarmism notwithstanding, one need not overestimate the expansive effects of real economic convergence between Eurozone countries after European Monetary Union, nor, consequently, the contraction occurring through the Eurozone's so-called crisis. The origin of the Eurozone's weak growth in the 'crisis' context are rather methodologically nationalist austerity policies (Lane 2012: 57-59). Yet, for the core of Europe's economy, this is of little concern: what had been protected in the 'crisis' and, to a significant extent, by deploying 'crisis' were fundamentals, not countries, that is, the banking circuitry and its tier-1 capital.

This chapter therefore supports neither the interpretation of sovereign interest rate spreads as market reactions to fiscal or private-sector profligacy nor their interpretation as market reactions to national economic sclerosis (Cohen 2012: 693; Guillén 2012: 62-63). Portugal and Ireland are exemplary cases for this critique. In each case, a crucial part of the standard narrative can be exposed as insufficient. Portugal is often lumped together with Greece in a category of public

overindebtedness, as opposed to Spain and Ireland whose indebtedness was classified as private, and to Italy, whose belonging to the GIIPS category has no reason other than financial market convenience (Blyth 2015: 70). Here, Portugal's situation rather exemplifies the fact that the narrative of 'Mediterranean' national economies with high levels of public indebtedness and sclerotic internal markets is not the whole picture, but rather one that obfuscates crucial connections to European banking circuits effortlessly traversing Portugal's border (Royo 2008: 6). Ireland, by contrast, exemplifies the flawed premises of the 'crisis' narrative. Its story is one of continuity rather than discontinuity. Heralded as a paradigm of successful globalization by trade openness and wage moderation prior to the so-called crisis, Ireland came to be heralded as poster child for unsustainable growth because of the very same factors during the so-called crisis. It subsequently managed to emerge as poster child for austerity's success, again because of the very same factors in the years since the so-called crisis (Considine and Dukelow 2011: 195-196).

### *6.2.1 Portugal*

The case of Portugal is instructive with regard to the conventional narrative of the so-called sovereign debt crisis. To be sure, the increase of the Portuguese sovereign bonds' interest rate spread over Germany's in late 2010 and early 2011 was characterized early on as a market reaction to unsustainable debt-to-GDP levels, combined with doubts about Portugal's repayment ability given its anemic growth prospects (European Commission 2011a: 7). Portugal's yield spreads on short-term debt over Germany began rising along with Ireland's just a month after Greece's first bailout package, in May 2010 (Bastasin 2012: 191). Likewise, at the end of April 2010, Standard & Poor's downgraded Portugal's debt just as it classified Greece's as junk (Sutton 2010). Consequently, the measures instituted in Portugal's adjustment programme, much like those of Greece, focused simultaneously on sovereign debt reduction by expense cuts and growth

restoration by enforcing wage competitiveness. “The overarching goals of the Economic Adjustment Programme are to underpin economic growth and macro-financial stability and to restore financial market confidence,” with the specification that “[w]age cuts in the public sector are expected to contribute to wage moderation in the private sector” which “will contribute to more dynamic exports and the reduction of the external deficit” (European Commission 2011a: 18-19). Later statements reacting to further rises in debt-to-GDP rates reinforced this position, asking for “additional consolidation efforts in 2013 and 2014” to keep “the fiscal adjustment path on target” (European Commission 2012a: 5).

Yet, the Portuguese debt-to-GDP ratio started to increase dramatically only when Portugal began to bail out its largest banks, *Banco Português de Negócios* and *Banco Privado Português* (European Commission 2011a: 15). Portugal's debt had been within the European Stability and Growth Pact's stipulations in 2003 (i.e., below 60 per cent of GDP) and, after moderate increases between 2000 and 2007, started to rise substantially only after the 2007-2008 crisis reached Europe (Claessens et al. 2011; Eurostat 2014a). It is noteworthy that the Portuguese debt-to-GDP ratio started to increase significantly only when Portugal's fiscal capacities began to be used as an extra-market hedge. For example, Moody's 2010 “review for possible downgrade [of] the senior and junior debt ratings of all ten rated Portuguese banks [...] had] been triggered by the review for possible downgrade of the Aa2 ratings of the Portuguese government” (Moody's 2010b). Only after its debt issuance fulfilling its role as extra-market hedge, the viability of its debt for intra-market hedging came into question, and Portugal thus came to be lumped into the GIIPS category. Thus,

Portuguese net debt to GDP ... is hardly evidence for a spending splurge. Rather, ... what was once seen as sustainable suddenly became seen as unsustainable once the possibility of a contagion-led fire sale through the European bond markets was factored into a slow-moving growth crisis (Blyth 2015: 71).

Consequently, Portugal's private-sector liquidity has been substantially threatened by the European retraction of core banks' funds to peripheral governments and banks alike after 2009 (ECB 2013: 7). "Since May 2010 a strong flow of repatriation of funds had been detected in the euro zone [sic], [...] aggravating the situation of the weaker debtors" (Bastasin 2012: 273). This hit Portugal hard. 2010 bank lending surveys of the Bank of Portugal (April and October, in this case) indicate a "tightening of credit standards" particularly to nonbank businesses and households, stemming mainly from "difficulties while accessing financial markets, banks' liquidity position and, at a lower extent, the cost of funds and risk assessment which has deteriorated mainly regarding general economic activity" (Bank of Portugal 2010a: 1; cf. Bank of Portugal 2010b: 1).

Portugal's domestic challenges must be seen in this European context. To be sure, the country had indeed experienced a prolonged growth slump throughout the 1999-2009 decade, growing more than 2 per cent only once (2.5 per cent in 2007) between 2003 and 2008 (Reis 2013: 144; Eurostat 2015e). In the conventional narrative, this was encouraged by "daunting structural challenges" in Portugal, which include "large administrative and regulatory burdens,... a complex tax system" (European Commission 2011a: 14), a "weak enforcement of competition rules, a dysfunctional judicial system," and so forth (*ibid*: 7). Nevertheless, these are not the decisive factors behind Portugal's involvement in the so-called Eurozone crisis. Rather, its involvement was an effect of the country's being harnessed as an extra- and intra-market hedge for the European banking circuitry.

Likewise, Portugal's anemic growth between 2003 and 2008 must be interpreted as an effect of the way Portugal's financial system is embedded into the European banking circuits. The Portuguese subcircuit of the European banking sector had constituted a disproportionately high

ratio of value added to the Portuguese economy throughout European Monetary Union: 6 per cent of its Gross Value Added in 2008 as opposed to 2.6 per cent in the Euro area average (Bank of Portugal 2010b: 6). Yet, the banking sector is at the heart of any European economy, both empirically and theoretically (Graziani 2003; Shambaugh 2012: 169-175). Beyond the interbank and financial sector transactions encompassed directly by the above percentage of the Portuguese economy, this means that the Portuguese banking sector's structural characteristics have pervasive consequences for the structure of Portugal's real economy (ECB 2013: 1-2).

Given increasing interbank connections after the European Monetary Union, the real economic expansive shocks associated with them should have occurred in Portugal as well (Schüler 2002; Lane 2006: 57-58). Portugal did experience large capital inflows in the 2000s, as evident by its substantial current account deficits (European Commission 2011a: 8-9). Between 2005 and 2010, Portugal's current account deficit had never been below 10 per cent of GDP, an escalation from 8 per cent in 2004 and 6 per cent in 2003 (Eurostat 2015d). Yet, these large capital inflows have not resulted in substantial growth (Reis 2013: 146). Indeed, Portugal's growth had been below Eurozone average throughout the 1999-2009 decade (Eurostat 2015e). By the same token, the 'crisis' diagnosis applies to Portugal neither in its public nor in its private profligacy variation: "Portugal in the 2000s experienced neither a housing boom like Spain and Ireland, nor as rampant an increase in public debt as Greece, nor does it suffer from Italy's chronic political instability" (Reis 2013: 144).

The main factor in this condition is the Portuguese banking subcircuit. Its real economic effects resulted in the "daunting structural challenges" noted by the European Commission (2011a: 14): sectoral misallocation of funds away from tradable manufacturing to nontradables such as services and infrastructural activities; large amounts of capital movements into sectors

with low productivity such as wholesale and retail trade; an abundance of firms of “inefficiently low ... equilibrium size” (Reis 2013: 155-157). As will also be seen in the Italian case, the Portuguese banking system’s high concentration corresponds to the existence of a multitude of small banks operating at local levels, and supporting the economy’s structural focus on small-scale, mostly nontradable businesses (European Commission 2011a: 14). The result was an overdevelopment of tradables sectors – particularly manufacturing – competing against Eastern European and Asian producers with lower factor costs, a problem which became more and more evident in the 2000s (Blyth 2015: 69). Consequently, labor began evading these non-competitive tradable sectors, encouraged by capital flows into nontradables sectors (Reis 2013: 156).

It is necessary to take a critical stance about these findings. Sectoral competitiveness indicators are often questionable. To be sure, Portugal was beset with “[r]igidities and inefficiencies in labour [sic] and product markets, weak enforcement of competition rules, a dysfunctional judicial system, malfunctioning housing and rental markets [as well as] a lack of adequate human capital and of innovation” (European Commission 2011a: 7). These have all been corroborated by others (Holman 2004: 726; Claessens et al. 2011: 270; Reis 2013). Yet, the European Commission’s report criticizes such factors based on a variable of “potential output growth” (2011a: 7), which the U.S. Federal Reserve in 2014 noted was econometrically questionable (Martin et al. 2014).

Nevertheless, the findings illustrate Portugal’s macroeconomic reliance on a banking system whose intimate connection to the European banking circuitry constitutes a factor strongly correlated with its supposedly domestic underdevelopment. Particularly remarkable is the amount of funds divested from the Portuguese real economy in the “yield panic” running up to the so-called ‘crisis’ (Hau and Thum 2008: 716). The domestic part of the Portuguese banking

system engaged in a rapidly increasing extent of highly leveraged securities purchases – purchases financed with funds acquired from the remainder of European and indeed global financial markets. Thus, the share of securities on Portuguese banking sector assets increased from 11 per cent of all assets in 2007 to 27 per cent in 2011, before this percentage started declining in the context of European deleveraging efforts (Crosignani et al. 2015: 55-58). After 2008, when the European circuitry repatriated funds, its Portuguese subcircuit followed suit, yet continued to invest in securities and, to an increasing extent, in Portuguese sovereign bonds (*ibid*: 57). This is consistent with the European banking circuitry's carry trades exploiting the differentiation of European sovereign's access to liquidity while continuing to demand their service as extra- and intra-market hedges (ECB 2013: 7; Acharya and Steffen 2013).

Consequently, it is not surprising that the post-2009 European lending freeze – and not governmental profligacy – resulted in a lending freeze in Portugal's subcircuit (Bank of Portugal 2010a: 1). Along with austerity's effects on effective demand, this freeze merely continued the tendency that Portugal's economy was choked by its own financial system (Moody's 2013). Nevertheless, considerable blame must also be placed on the Troika of ECB, IMF, and European Commission, whose ceaseless quest for “macro-financial stability” (European Commission 2011a: 18) evidently did not include caution against being “overly optimistic about the progress that had been made” in implementing austerity (New York Times Editorial Board 2014).

### *6.2.2 Ireland*

In the Irish case, intimate connection with European circuitry is even more evident than in the case of Portugal. Foreign direct investments into Ireland averaged 7.75 per cent of GDP between 2003 and 2009; surpassed only by Belgium, the Netherlands, and Luxembourg, and far above Germany's average of 2.43 per cent (Eurostat 2015g). Likewise, Ireland's connection to

the European banking circuitry is exemplified by its vulnerability to the aforementioned repatriation of European bank funds (ECB 2013: 7). Substantial portions of the international wholesale funds which had been retracted in 2007-2008 were replaced with Eurosystem funding, including emergency assistance from the Irish central bank in 2009 and 2010 (Claessens et al. 2011; European Commission 2011b: 14).

Primarily, however, Ireland exemplifies – as Portugal did to a smaller extent – the fact that 'crisis' has not been the rupture in economic policies it was often made to be (Habermas 2012). Asking for the continuities instead of the discontinuities shows that the latter are deployed with a specific function (Roitman 2014: 81-90). Here, the purpose is not, as I will show, to dissimulate the fact that austerity is an exact continuation of older Irish trade and financial policies, but on the contrary to justify pursuing austerity with more vigor and at more people's expense. Ireland's 2003-2009 boom and subsequent 'crisis' are a result of the exact policies heralded as 'crisis' solution: openness to transatlantic and European trade and wholesale funding (European Commission 2011b: 11).

Throughout the 1990s and 2000s, Ireland's 'Celtic tiger' economy had been predicated mainly upon trade openness (Palcic and Reeves 2011: 182). For six decades, Ireland's economy had been heralded as globalization's poster child, supported in the last decade by European Monetary Union facilitating Irish capital market borrowing from North Atlantic wholesale funding (Considine and Dukelow 2011: 183-185). During this time, Ireland's growth model was based on

macroeconomic stability, the receipt of EU structural funds, the attraction of increased foreign direct investment (which was helped by a boom in the US economy, the fact that Ireland had a well-educated, English-speaking labour force and a low corporation tax environment), rolling social partnership agreements which restrained wage growth, and increased competition and deregulation (Palcic and Reeves 2011: 181).

The latter in particular is reminiscent of austere labor market policies.

Moreover, each of these factors relied on European and Transatlantic rather than national factors: “the majority of Ireland's exports are 'boxes in boxes out' tax arbitrage and transfer pricing games that are possible only because of its unique role as a gateway to Europe for foreign multinationals due to its super-low corporation tax rate” (Blyth 2015: 256). As a national idiosyncrasy doubtless encouraged by financial actors, lax financial oversight contributed to its development, with regulatory problems parallel to those experienced by other countries, yet exacerbated by Ireland's political commitment to open financial accounts (Palcic and Reeves 2011: 182). Likewise, Ireland's growth strategy continued to be export-driven since European Monetary Union accession, with its trade-to-GDP ratio at 173 per cent in 2000 and further increasing after European Monetary Union, and its economy strongly dependent upon FDI and labor migration from Europe (Palcic and Reeves 2011: 182). All of these factors have been jeopardized by the global economic downturn (European Commission 2011b: 12-17).

In this context, the Irish banking subcircuit, funded by Transatlantic wholesale flows and fueled by lax oversight, created a vastly overleveraged real estate sector whose subsidiary growth effects stimulated the Irish economy as a whole (Berend 2013: 22-25). This, too, was based on the same factors as the pre-Euro Celtic Tiger economy: a Euro-American transfer economy with an overleveraged financial sector and a highly educated, yet cheaply available English-speaking workforce. Attracted by its economy's rapid growth, the population migrating to Ireland during European Monetary Union, contributed to its so-called 'bubble', raising education levels while allowing wage moderation and low social security policies (Palcic and Reeves 2011: 181). Ireland's well-educated English-speaking labor force also came comparatively cheap for its high level of education. According to OECD data, average wages grew in Ireland by 18.4 per cent

from 2000 to 2007<sup>44</sup> while Ireland's GDP grew by 5 per cent on average *every year* between 2004 and 2007 (Eurostat 2015e). Given these numbers, it is erroneous to claim, as has been done, that wages grew above productivity (European Commission 2011b: 10). Moreover, Ireland's wage moderation tendency was reinforced in its austerity policies after 2009, proposing, among others, a 12 per cent cut in Ireland's minimum wage for 2011 (Considine and Dukelow 2011: 196).

At the same time, Ireland guaranteed its functioning as an extra-market hedge at the expense of the remainder of its real economy. First, it reacted to the effects of the 2007-2008 liquidity withdrawals on the other side of the Atlantic Ocean by guaranteeing the entirety of its banking system's deposits, loans, and assets (Murray-Brown and Dennis 2008). This was highly unusual in comparison to other countries whose guarantees often did not expand beyond a certain amount for individual savers (Bastasin 2012: 17-18). The guarantee of "liabilities guaranteed by the state totaled approximately €365 billion, almost 2.5 times the level of GNP" (Palcic and Reeves 2011: 190). This immediately raised Ireland's sovereign debt interest rates and allowed the European banking circuitry to engage in the carry trades which dragged Ireland into the GIIPS category (Acharya and Steffen 2013). In turn, this led to the austere transposition and the 'recommendations' of the European Commission which continued to advocate export-oriented growth (2011b: 21).

Indeed, Ireland is exemplary not only for austerity policies *per se*, but also for the conscious and explicit recognition that they are a continuation of Ireland's business-friendly policies in the 2000s, affirming that these promote trade prioritized vis-à-vis social security (Considine and Dukelow 2011: 186). As is customary for austerity's moral economy, successful contraction was touted, hardship was presented as a sign of virtue, and an alternative was not to be discussed. As

---

44 Author's calculations based on OECD (2015).

finance minister Brian Lenihan put it in 2009: “We need to persuade the international markets that we are capable of taking the tough decisions now to get our house in order” (cited in Considine and Dukelow 2011: 191). Correspondingly, when Ireland returned to market borrowing in 2013, then-European Commission president José Manuel Barroso affirmed the moral case that “Ireland’s success sends an important message – that with determination and support from partner countries we can and will emerge stronger from this deep crisis” (cited in McDonald 2013).

On the other hand, austerity was indeed successful when assessed by its actual destructive purposes, as discussed in chapter three, and as opposed to its growth-oriented public justification. During its austerity programme, Ireland's public debt-to-GDP ratio has risen substantially, from 87.4 per cent in 2010 to 123.2 per cent in 2013 (European Commission 2011b: 40-41).<sup>45</sup> Irish unemployment doubled between 2008 and 2012 and continued to rise (Eurostat 2015e). Cuts in pensions, unemployment assistance, health care and reproductive care resulted in the familiar rise of poverty, child poverty, youth discontent, and political nationalism (Saunders 2010; Considine and Dukelow 2011: 197). Nevertheless, these measures and their effects were no departure from earlier export-oriented measures: wage moderation, trade openness, and rescue measures for the very banking system whose 'pre-crisis' behavior had made Ireland susceptible to the 2007-2008 transatlantic withdrawal of wholesale funding (Guerreri et al. 2011: 153; ECB 2013: 16-17).

---

45 The decline of the Irish debt-to-GDP ratio to 109.7 per cent in 2014 is likely to be due in about equal amounts to the 'successful' conclusion of Ireland's adjustment programme in December 2013 and the announcement by ECB president Draghi, in July 2012, to do *whatever it takes to save the Euro* (which has since come to be recognized as a turning point in the so-called crisis). Evidence for the latter can be derived from the development of European peripheral yield spreads over Germany, all of which rapidly and simultaneously declined after the announcement. By the mechanics explained in chapter two of this study, this facilitated debt roll-over for the countries involved, allowing them to reduce their debt-to-GDP ratios almost simultaneously (with the exception of Greece).

### *6.2.3 Conclusion*

The result of this section is twofold. The Portuguese example has shown that governmental 'profligacy' is a category used as a political lever to impose austerity's moral economy. Indeed, as early as 2010, then-Bundesbank president Axel Weber had argued as such (Marsh and Carrel 2010). The Irish case exemplifies the fact that austere continuations of wage moderation policies, social welfare retrenchments, and trade openness policies are reinforcements of similar policies implemented throughout the 1980s and 1990s, and with renewed vigor after European Monetary Union (Hay and Wincott 2001). Likewise, while the introduction of the Euro was an expansionary shock for the Irish economy, it was not for the Portuguese economy nor, as will be seen below, its Italian counterpart. Moreover, while it did occur for Ireland, expansion was predicated upon the very same economic and social practices from which the subsequent shock originated and which austerity reinforced without change. The so-called 'crisis' is nowhere near the watershed event it has been made to be.

In other words, 'crisis' is not an event at all (Roitman 2014: 61-65). Identifying a 'crisis' reinforces nationalisms, which is useful for the country-fundamental transpositions throughout Europe (Habermas 2012). In Italy, the economy is defended against speculation; in Greece, against the crisis; in Ireland, against "external woes and the necessity of selling to world markets" (Fernandez-Albertos et al. 2014: 814 Fn. 14). Simultaneously, since they serve as foundations for intra- and extra-market hedges, European nationalisms do the opposite of what they promise: they complete rather than thwart the market-based form of European integration (Holman 2004). They consolidate European banking subcircuits to supposedly independent national economies, competing against one another in attempting to fulfill the demands of the country-fundamental and austerity transpositions (ECB 2013: 7).

### 6.3 Spain and Italy

Analogous to the previous section, I show here that Italy's and Spain's ostensibly national economies are transposed European subcircuits. Likewise, this section shows that, in both cases, there is more continuity than discontinuity through the 'boom' of European Monetary Union and the so-called crisis. Conventional narratives of the so-called Eurozone crisis attribute decisive importance to the summer of 2012 when Spain and Italy rounded out the GIIPS category in the crosshairs of speculative attacks and when it seemed as if the Eurozone was on the brink of collapse (Bastasin 2012: 286-296; Lane 2012: 60). The yield spreads of Italian and Spanish ten year sovereign bonds over their German benchmark equivalent began moving upward almost simultaneously in June and July 2012 (Bastasin 2012: 221-225). In the conventional narrative, this indicated that markets realized inefficiencies in Spanish markets – low-concentration, low-skilled, low-price production with little international competitiveness – requiring shock treatments, and similar to inefficiencies on Italian markets (Hamann 2011: 206; European Commission 2012b: 16-23).

Lumping the countries together with Greece as GIIPS or as 'Mediterranean' political economies in this way, however, made little sense (Molina and Rhodes 2011). To be sure, Italy's public debt was at 123 per cent of its GDP in 2011, third in the Eurozone only behind Portugal and Greece (Eurostat 2014a). Yet, its repayment ability had not been doubted before the lending withdrawals constituting the so-called crisis (Belke 2012: 685). In Spain's case, much as in the Irish case, it was clear even to orthodox economists – yet not to markets – that its public indebtedness was low compared to its private indebtedness. In 2011, Spain's public debt was at 69.2 per cent of its GDP, only marginally above the European Stability and Growth Pact stipulation of 60 per cent when compared with other Eurozone countries (Eurostat 2014a).

Private debt, by contrast, stood at twice the size of Spanish GDP (World Bank 2015a). That Spain and Italy nevertheless came to be part of the GIIPS category can thus only be explained with the European banking circuitry's demand for differentiation within the Euro-denominated sovereign bond asset class.

Thus, even if Greece, Portugal, and even Ireland were acknowledged to be part of a European periphery, "Spain and Italy have been added to the list although these countries can hardly be regarded as periphery when their economic weight is considered" (Pusch 2012: 2). Indeed, neither of the two sovereigns was – or could have been – bailed out (Bastasin 2012: 287). Rather, the European Stability Mechanism later recapitalized Spain's banking system, thus serving as extra-market hedge to the banking sector, but not the country (ESM 2014). It took the announcement the ECB's Outright Monetary Transactions, discussed in chapter two, to calm turbulences and restore, if not 'confidence channels,' at least calmer yield spread movements (ECB 2012; Blankenburg et al. 2013: 464-465). As with the previous intervention by the ECB, the Securities Markets Programme, this was predicated upon Spain's and Italy's acceptance of "the statement of the euro area governments that they 'will take all measures needed to meet [their] fiscal targets this year and the years ahead'" (ECB 2010a). In other words, the membership of Spain and Italy as fundamentals in the GIIPS category resulted in austerity for their corresponding countries.

In the terms of the second chapter of this study, this conventional narrative is rather questionable. Just as its counterpart in the relation between the Greek and Portuguese fundamental, 'contagion' from Portugal to Spain was not a sudden realization of 'unsustainable' debt or state of real economy. Rather, it was the effect of a portfolio reallocation internal to the European banking system – the 'repatriation' or bank funds discussed above (ECB 2013: 7). The

liquidity-solvency conversion then turned this into a solvency problem, since governments are expected to serve as intra-market hedges and, if necessary, extra-market hedges (Schäfer and Streeck 2013: 19-21; Blyth 2015: 73). This is evident for Italy in particular. The country “maintained a prudent fiscal stance during the crisis” (European Commission 2012b: 13). Nevertheless, it came under speculative attacks which reduced its liquidity to the point of threatening its solvency (Belke 2012: 685). Liquidity was withdrawn directly from the Italian subsection of the European banking circuitry (European Commission 2012b: 14). Likewise, Spain experienced a substantial liquidity withdrawal after 2012 (Tremlett 2009).

Both of these liquidity withdrawals were exact flipsides of the previous credit boom. They had little else in common, however, further questioning the viability of the GIIPS category for anything but the purposes of the country-fundamental transposition. After the establishment of European Monetary Union, the Eurosystem lent 'credibility' to the central banks of Spain and Italy, leading to interest rate convergence with Germany's and France's level (Ehrmann et al. 2011: 359-360). The result was a vast expansion of liquidity provided to Spain and Italy (Lo Conte 2009: 360). Yet, only Spain's deepened liquidity presented a significant boost to the Spanish real economic subcircuit, allowing Spain's production sectors to profitably maintain its specialization in low-skilled construction-related production (Royo 2008). In Italy, the effects of European Monetary Union were decidedly less expansive (Emmott 2012; di Nino et al. 2013).

In both cases, however, liquidity dried up after 2009. In Italy, “the size of its bond market was not a reason for liquidity anymore but the ballpark for global risk reduction” as Italian security risk reappraisals would engender sell-offs (Bastasin 2012: 288). In Spain, the sudden withdrawal of wholesale lending resulted in the collapse of the hitherto booming construction sector (Giannone et al. 2011: F469; Lane 2012: 55; Minder 2014a). In turn, this had multiple

social and political effects: unemployment; decreasing demand; rising social costs; austerity (Simó and Vilà 2012; Hedgecoe 2015a). Similar multipliers were at work in Italy, though to a significantly lower extent due to an absent expansive shock through European Monetary Union.

#### **6.4 Spain**

I analyze the political economy of Spain as a real economic subcircuit of Europe's banking circuitry whose economic and political development in European Monetary Union and the so-called crisis is not explicable in a national framework. Nor, as I argue, can Spain's economic development be explained in the framework of 'crisis' discontinuity. In Spain's case, this would be a 'bubble' whereby the valuations of the central commodity/asset (in this case, real estate) deviate from its 'fundamental' or 'real' values, only to violently return to them when the bubble bursts (Roitman 2014: 43-48). I argue that, first and foremost, the so-called bubble cannot be explained by Spanish factors alone. One must take European capital circuits into consideration, as well as population oscillations such as immigration movements, and tourist and housing-related development sustained by demand from countries other than Spain. Second, I show that the Spanish labor market corresponds intimately to European labor developments, particularly with regard to temporary contract structures. Third, I discuss the result of European economic integration for the Spanish subcircuit's production structure, and particularly its firm sizes. Fourth and finally, I show that even Spanish governmental structures – particularly the regionalism/centralism division and interrelation supposedly so characteristic of Spain – cannot be understood without discussing Spain's European rather than national character.

Spain has been affected by the liquidity withdrawals of the so-called Eurozone crisis. "As of 2012, Spain is among one [of] the worst-performing European economies, with a projected growth rate of negative 1.5 per cent for the next year and an unemployment rate of more than 22

per cent" (Fernandez-Albertos et al. 2013: 805). By 2014, Spain's unemployment had risen to 24.5 per cent, after a peak of 26.1 per cent in 2013 (Eurostat 2015e). Spain's economy contracted by 2.1 per cent in 2012 and by 1.2 per cent in 2013 (Eurostat 2015e). Corresponding growing discontent with Spanish economic policy can be seen in the meteoric rise of Spain's left-of-center party *Podemos*. Often compared to Greece's SYRIZA since its founding in 2014, Podemos was able to tap into "the deep unpopularity of Spain's mainstream politicians, the endemic corruption exposed by the financial crisis and the pain felt by the 26 percent of the work force still unemployed despite hints of recovery" (Minder 2014b). This helped it to achieve significant results in the European election of 2014 (sending five members to the European parliament) and the municipal elections of 2015 (Kassam 2015).

Like Portugal and Ireland, the narratives of Spanish public profligacy and crisis in general do not hold. To be sure, there is little possibility of doubt that the Spanish construction sector experienced a rapid boom between 2003 and 2008, followed by an equally rapid bust (Simo and Vilà 2012; Blyth 2015: 68). Moreover, the latter explains the governmental distress in the so-called 'crisis', as revenues accrued by the Spanish federal government between the beginning of Spain's boom in 2003 and its end in 2008-2009 were largely derived from construction-related taxation (Pascual-Ramsay 2014: 53). Thus, the involvement of the Spanish federal government as well as its regional counterparts in the boom cannot be denied, often taking the form of tax breaks, subsidies, infrastructural investments (Royo 2008: 155-163).

Yet, by 2006, the Spanish "public deficit has been eliminated ... and the public debt has been reduced to 39.8 per cent of GDP, the lowest in the last two decades" (Royo 2008: 9). Nevertheless, Spain committed to austerity similar to Ireland and Portugal, while the European Stability Mechanism's 2013 rescue package focused on recapitalizing Spain's banking sector,

bypassing the government almost completely (ESM 2014). Moreover, the 2013/2014 ESM bailout was a bailout of European – particularly German and French – creditors who had invested large funds into Spain's boom (Bastasin 2012: 23). German banks in particular “were among Europe's most profligate before 2008, channeling the country's savings to the European periphery in search of higher profits” (Gore and Roy 2012). Asset relief measures took Spanish toxic assets off bank balance sheets to those of the bad bank SAREB since 2012 (ECB 2013: 25–26). SAREB is financed at 45 per cent by the Spanish government, while the remaining capital stems from Spanish and international banks, some of which are in turn recapitalized by ESM rescue funds (SAREB 2015). The ESM, in the meantime, recapitalized Spanish banks to enable them to repay their European counterparts (Gore and Roy 2012). Recapitalization and asset relief for Spanish banks merely traversed Spain to restore these same European balance sheets.

#### *6.4.1 Spanish Houses*

It is therefore not surprising that the supposedly most national of all aspects of Spain's so-called 'crisis' – the housing boom – is not national at all. To be sure, in terms of the 'crisis' category, the boom in the Spanish real estate sector was fueled mainly by reckless domestic borrowing, when “[t]he reduced cost of capital and easier access to credit, combined with policy incentives promoting house ownership, fueled domestic demand” (European Commission 2012d: 8). It was also secured, to be sure, by global wholesale funding, yet domestically centered and disbursed (Claessens et al. 2011: 270–271). The government appears, in this narrative, in a familiar scapegoat role (European Commission 2012d: 10). Substantial portions of the boom originated in public infrastructural investments or were supported by publicly owned banks (Hau and Thum 2008: 718). Occasionally, this would go to absurd lengths, as Mark Blyth notes wryly when he cautions that there were “a few white elephant projects that have worsened the situation,

airports that have no traffic, massive opera houses with no customers, and the like” (2015: 68; cf. Simo and Vilà 2012). The subsequent collapse is directly related, in the narrative, to the previous reckless (national) practices: “[w]hen the cheap and easy credit disappeared, the supposed miracle of infrastructure development and modernization was shown to have been based, at least in part, on extraordinary revenues and unsustainable financing, a situation that had not been recognized by the government or private markets” (Pascual-Ramsay 2014: 46-47).

Almost everything with regard to the national character of this development is disputable. The Spanish banking sector's 'distress' in 2012 did not emerge from its exposure to the construction sector. As in other real estate booms, and most notoriously the U.S. subprime boom prior to 2008, the Spanish boom was largely financed by long-term loans refinanced by short- and medium-term wholesale funds (Kindleberger and Aliber 2011: 26-84; Giannone et al. 2011). These came to an overwhelming extent from outside the country: total outstanding private foreign debt in 2010 was at 146 per cent of GDP (European Commission 2012d: 9). Moreover, the composition of this debt is decisive. The ratio of short-term debt to assets on the balance sheets of domestically owned Spanish banks grew by more than two thirds between 2004 and 2008, which is negligible compared to Ireland or France, where this same ratio multiplied by twenty-seven in the same time frame. Nevertheless, it reached its peak at 59 per cent in 2006. By 2006, more than half of all Spanish banking sector assets, an overwhelming majority of which were mortgages, were refinanced by short-term loans (Ireland: 70 per cent) (Olgu 2012: 138-139). The exposure of Spanish banks to their own construction sector was thus significant, mostly because of the substantial extent to which it was funded from non-Spanish sources (Bastasin 2012: 80). Correspondingly, Spain's current account deficit throughout the 2003-2009

period had consistently been negative at an average of 7.1 per cent.<sup>46</sup> In addition to banking sector exposure, this capital inflow was invested by households and non-financial corporations in particular into Spanish construction (European Commission 2012d: 13-14). It was indeed Northern European capital along with global wholesale funding which went into the Irish and Spanish construction sectors (Giannone et al. 2011: F469; Shambaugh 2012: 218; Lane 2012: 55).

This is not the only aspect of the so-called 'bubble' whose origin is not Spanish but rather European and indeed global. Its character as a bubble, i.e., an overvaluation of a specific asset with regard to its 'real value,' is not just due to its expansion by inflowing European funds, but also to other sectors' stagnation. Goods and services, particularly in Spain's tradables sectors, were substituted for imports as European Monetary Union allowed Spanish households to diversify their purchases in manufacturing products (European Commission 2012d: 19-20). In turn, this "increase[d] the vulnerability of the Spanish economy to external shocks" (*ibid*: 21). Likewise exacerbating the boom in specific sectors, European tourist revenue flooded into Spain after the removal of currency risk (Simá and Vilà 2012). In 2005, ten percent of all value added in Spain resulted from tourism, by definition a foreign inflow (European Commission 2012d: 26). This accelerated during the so-called crisis: between 2010 and 2013, the World Bank reports an increase in the number of tourist arrivals in Spain by 8 million – from 52 to 60 million annually (World Bank 2015b).

Moreover, Spain experienced "high natural population increases," along with "[t]he highest positive values of net migration" in Spain and Italy in Eurozone comparison between 1997 and 2007 (Olgu 2012: 44). Some 5 million Europeans have migrated to Spain between 2000 and

---

46 Author's calculations based on Eurostat (2015d).

2008. 60 per cent of the 772,000 new jobs created in 2006 – most of them in the construction sector – were taken up by immigrants (Royo 2008: 9-10). This obviously non-national aspect of Spain's population growth is also a factor which is highly relevant for Spain's labor market.

Employment growth was largely driven by newcomers to the labor market, including women and also foreigners from outside the boundaries of the EU-25. For example, for 2005 it is estimated that over 55 percent of the male employment growth stemmed from immigrants from outside the EU boundaries (Hamann 2011: 198).

However, a substantial amount of this job creation was achieved in the low-skilled and low-paid sectors of the Spanish construction economy. 15 per cent of all newly created jobs in 2006 were created in sales and rentals associated with housing, while 33 per cent were created in construction itself, and only 5 per cent in manufacturing (Royo 2008: 11). This had socially devastating effects when many low-skilled workers, many of them foreign, were laid off in the unraveling of the 'bubble' (Hamann 2011: 200).

Immigration into the low-skilled sectors of Spain's labor market also supported another widespread feature significant for the Spanish economy: the predominance of temporary labor contracts. Even at the height of the construction boom in 2007, when the housing price-to-rent index was at an all-time high and construction as part of Spanish GDP was at 23 per cent above the 1970-2000 average, a third of the entire Spanish labor force were employed with temporary contracts (Alcidi and Gros 2012). This was about 20 per cent above the EU average for the same year (Royo 2008: 106). This prevented not only long-term human capital investments, but also depressed effective demand, a form of austerity *avant la lettre* (Molina and Rhodes 2007: 226).

Apart from its significance for my argument about Spain's economic continuity, the prevalence of such short-term contracts also highlights the European dimension of Spain's labor market developments. Not only have such contracts been introduced throughout the Eurozone after European Monetary Unification, creating two-tier labor markets akin to those observed in

Greece and Germany in previous chapters (Gebel and Giesecke 2011; Hamann 2011; Berton et al. 2011). Moreover, temporary contracts have been prevalent in Spain independent of whether the country experienced a 'boom' or a 'bust' (Polavieja 2003). In a European perspective, temporary contracts dominated labor markets independent of whether the country was situated in the European core or the European periphery (Bastasin 2012: 157; Heise 2012: 45; Berend 2013: 19-20). Neoliberal proto-austerity had been in full force when Spain's real wages have declined by 4 per cent between 1995 and 2005, with business profits increasing by 73 per cent between 1999 and 2006 (Royo 2008: 109). It is scarcely surprising that Spanish families resorted to the credit market to make up for wage shortages, which was easily accomplished in the construction boom (Alcidi and Gros 2012). In 2006, household indebtedness reached an average of 115 per cent of disposable income (Royo 2008: 11).

After 2009, these figures supported the moral economy of thrift and condemnation, arguing that Spain's households had lived beyond their means. Moreover, the austere perspective decried a "high growth of wages" depressing Spanish "price competitiveness" (European Commission 2012d: 24). As in the Irish and Portuguese cases, this indicates a continuity of austere policies long before the so-called 'crisis.' Spanish labor market policies, particularly with regard to the prevalence of temporary contracts simplifying layoffs, were not only consistently justified with the European context, with anti-inflationary pressures from European Monetary Union before the so-called 'crisis,' and then austere 'competitiveness' during the so-called crisis (Royo 2008: 115; Hamann 2011: 201). Beyond ideological justifications, however, these policies were also indicative of Spain's structure as a subcircuit of the European real economy: European capital inflows creating a focus on construction and related employment, with high levels of immigration from European and non-European countries alike, and temporary and 'moderately'

paid labor forces. As seen above, these tendencies can be found in Ireland as well and, with a somewhat different result, in Portugal and Italy.

Spain's economy is largely comprised of small and medium-sized businesses. On average in 2008, Spanish companies employed 5.1 workers, with 99. 87 per cent employing between zero and 249 workers (Royo 2008: 110; The Economist 2015). In 2010, “more than half of workers in Spain [were] employed in small companies (below 50 employees) compared to 23 per cent in Germany and 32 per cent in France” (European Commission 2012d: 25). This is closely related to the prevalence of temporary contracts in Spain, as well as foreign capital inflows into its economy. Roughly 180,000 businesses were opened in the country in 2005, the vast majority of which were small and medium-sized companies (Royo 2008: 110). A third of these were in construction (*ibid*: 11). Thus, a pronounced vulnerability emerges, as a significant part of the employment created in construction consisted of low-skilled temporary jobs. An economy built upon such large numbers of small and medium-sized companies will frequently be based on intricate subcontracting relations, as is also the case in Italy (Emmott 2012: 83). This increases the pressuring power of employer-friendly wage bargaining, particularly along with anti-inflationary 'crisis' and austerity pressures (Hamann 2011: 215-216).

Moreover, immigration, particularly into easily replaceable low-skill forms of employment such as construction, usually results in wage repression since it broadens the supply on labor markets. This means that a vast number of Spanish livelihoods depended upon foreign capital inflows, as had been the case in Greece as well. Moreover, and likewise as in the Greek case, the remaining sectors of the Spanish economy were likewise highly dependent on the multiplier effects of foreign trade gyrations. Import substitutions have already been discussed. In the exporting sectors, “only 1% of firms account for two thirds of goods exported in 2010”

(European Commission 2012d: 30).

Through those factors as well as multiplier effects from the collapse of European credit creation into Spanish households, along with the prevalence of temporary contracts, unemployment soared. The rate of temporary contracts in relation to total employment in Spain fell to 25 per cent in 2009 (back to the 1988 level), but that “was not the result of conversion of temporary into permanent contracts but rather the outcome of job shedding, concentrated among temporary workers” after 2009 (Hamann 2011: 200). The methodologically nationalist constitution of the Spanish subcircuit as a supposedly national economy aggregates a core which is dependent on being embedded into European value-added chains, and a periphery in turn dependent on this core as well as the multiplier effects of the 2003-2007 credit boom transmitted through it. Here, Spain is similar Portugal and Greece with regard to its dependency, and to Ireland with regard to the boom effects.

As in all these cases, the methodological nationalism contained in the first two austerity conversions exacerbated Spain's pre-'crisis' proto-austerity by attributing its core's weakness to the Spanish national scale, a development subsequently taken up and escalated by the moral economy of condemnation contained in the third austerity conversion. Similarly, it is worth noting that Spain's tourist sector, and its associated volatility in 'boom' and 'bust,' has been a substantive part of Spain's economy. In the boom year of 2005, 30 per cent of all new Spanish jobs have been created in the tourist industry and related service sectors (Royo 2008: 11). Thus, by providing yet another way the elimination of currency risk contributed to the creation of unified European monetary circuits, the European core redistributed parts of its wealth to the so-called Spanish economy (Shambaugh 2012: 171). This way, too, the Spanish subcircuit of the European economy sustained half a million small and medium-sized companies: in 2005,

employing a total of 1.4 million, all of whom depended upon maintaining foreign inflow of capital and tourists.<sup>47</sup> Here as in the sectors discussed above, the methodologically nationalist conversions of austerity neglect that this part of Spain's core sectors is dependent on its interconnections with the European core's demand in ways that its German counterpart is not. Instead, blame for this is put on Spain.

#### *6.4.2 Spanish Separatism*

Not only has the Spanish economy been a European phenomenon throughout the supposed 'bubble' and into its unraveling. In line with this study's defense of historicity against the 'crisis' designation, the Spanish state can further be interpreted, as this section shows, as more than what it appears to be to the austerity narrative, which sees it either as a wage bargaining facilitator, an obstacle to economic growth, or a profligate bearer of sovereign debt (Molina and Rhodes 2007: 227; European Commission 2012d: 5-6). Yet, as in Germany's or Greece's case, Spain's most nationally distinct and specific political structures are transposed to so many arbitrage opportunities by the European banking circuitry discussed above. Thus, Spain's most prominent political battlefield becomes a field of differentiated investment opportunities: centralization versus regionalism (Basta 2012).

Both the Spanish centralizing tendency and its separatist counterpart precede the so-called Eurozone crisis and European Monetary Union by at least several decades. In the post-fascist constitutional monarchy with autonomous regions that Spain became after the death of Franco, this has led to fiscal and, to a certain extent, tax autonomy for some regions (particularly Basque Country and Catalonia), differentiated public debt issuance and economic policies, widespread cultural differences, and so forth (Colino and Del Pino 2014). Nevertheless, Spanish nationalism

---

47 Author's calculations based on OECD (2010).

has come to be transposed within the pan-European deployment of national solidarity as a means to support the government's function as intra- and extra-market hedge (Fernandez-Albertos et al. 2013: 814, Fn. 18). In the Irish case, for example, bank bailouts have been justified with patriotic 'necessity', while the resulting cuts at the opposite end of the income distribution spectrum have been justified with equally patriotic 'solidarity' (Considine and Dukelow 2011: 197). Moreover, Spanish regionalism has come to be intricately entangled with the operationalization of Spain and its regions as differentiated intra- and extra-market hedges as well as recipients of European value-added streams.

Spanish regions historically enjoyed varying degrees of fiscal autonomy. The Basque Country has its own budget, subsidized by the central government, yet autonomously deciding over its expenses, particularly with regards to economic subsidies and social payments (Royo 2008: 148). Fiscal autonomy in other regions only extends to certain areas of expenses to regions who enjoy autonomy in the terms of acquiring revenue, but whose expenses are centrally regulated (Lastra-Anadón 2014: 181). Against this, Spanish centralization has been deployed as a measure to impose fiscal discipline and austerity upon the regional governments in particular, a move which was justified by the conventional 'crisis' narrative. Regional governments, it was argued, use their fiscal autonomy to lower their tax rate and fill up the resulting deficits either by government subsidies or by lending on financial markets (Colino and del Pino 2014: 165). Similar to Spanish sovereign interest rates sinking to Germany's level after European Monetary Union, Spain's regional governments' bonds were traditionally at the same level as those of the Spanish central government (Ehrmann et al. 2011: 350-351; Lastra-Anadón 2014: 192).

In the context of the so-called Eurozone crisis, the central government's 'fiscal prudence' used the crisis narrative to support centralization, thus harnessing European austerity the same

way it had been used as an ideological pretext in Spain's proto-austere and austere temporary contract law. In 2011, a law instituted the stipulations of the European Stability and Growth Pact as mandatory fiscal goals for the federal government and all regional governments (Lastra-Anadón 2014: 193). Yet, these austerity efforts not only exacerbated centralization. They also performed an intra-Spanish version of European bailouts including austere conditionality.

As mentioned above, Spanish regions issue sovereign bonds. After European Monetary Union, these were at the same level as those of the Spanish federal government, and were tethered to it the way Spain's yields were tethered to Germany's, by virtue of a bailout expectation (Belke 2012: 678; Lastra-Anadón 2014: 192). When the 2007-2008 lending freeze replaced 'yield panic' with carry trade opportunities, the Spanish federal government's borrowing costs exploded, and yield spreads of Spanish regions over their federal bond's interest rate escalated. "Credit markets increasingly discriminate among regions, not only on the basis of credit ratings, but also on the basis of variables such as degree of commitment to and compliance with budget targets, size of debt, market experience and access, and liquidity of debt issues" (Colino and del Pino 2014: 168). By late 2013, Catalonian bonds experienced a yield spread of 600 basis points over Spanish federal bonds, "which [meant] that credit markets [were] closed" to such regions (*ibid*: 168-169).

The second austerity conversion thus came to be replicated on the subnational level. Just as pre-'crisis' investment differentiation resulted in sustained fiscal differentiation, such as regional competitions for tax haven status, lending withdrawals after 2009 resulted in differentiated and competing austere approaches among Spanish regions (Colino and del Pino 2014: 173; Lastra-Anadón 2014: 192). The Spanish federal government attempted to force regions to "raise their regional taxes or cut spending on personnel and public services" while simultaneously offering

“conditional loans of around €40 billion to help them service debt and pay for public services” (Colino and del Pino 2014: 172).

Likewise, this differentiation replicates European carry trade opportunities. European bailouts explicitly, and to this day, refuse Eurobonds, thus upholding the individual Eurozone member countries' function as differentiated extra- and intra-market hedges (Botta 2013). In the same way, the Spanish central government pitted the Spanish regions against one another to prioritize their debt servicing by means of a “refusal to mutualize or explicitly guarantee regional debt” as well as an “insistence … on favoring loans achieved through the centralization of public debt issuance and those with strict fiscal conditions attached” (Colino and del Pino 2014: 173). Thus, the central government's austere conditionality demanded by markets of their intra- and extra-market hedge was passed on to the regions (Mallet 2010).

Opposition from the regions was muted by the central government's recourse to an old European *arcانum imperium*: the deployment of cultural regions. To be sure, the regional pushes for independence were largely engendered by viewing the so-called crisis as a chance to gain independence (RT 2014). Yet, since fiscal independence of regions such as Basque Country was at least partly predicated upon the moral sense of fiscal independence from the central government, they unwillingly supported austere differentiation at the European banking circuitry's, and indeed the Spanish central government's, behest (Catan and House 2010; de Carreras 2012).

This regionalism, set, upheld, and enforced by the central government, and therefore scarcely a regionalism at all, nevertheless offered markets an opportunity to differentiate more directly as well. “At that point, credit markets also began to discipline regions and distinguish among them, since for the first time a regional default seemed a real possibility” (Colino and del

Pino 2014: 172). By lending to the regions, Spain's central government prevented such a default. Yet, by imposing conditionality, it consolidated its own advantage in the struggle against separatism. Either way, European banks enjoyed a differentiated investment opportunity (though the regions have yet to resume market borrowing).

#### *6.4.3 Spanish Continuity*

Competitive austere regionalization in its interplay with austere centralization picks up older patterns of Spanish real economic differentiation (A'hearn and Venables 2013: 626). Spanish regions – particularly the most independent ones, such as the Basque Country and Catalonia – bypass their central government in working with European countries. These cooperations created more than just “redundancies in administrative structures,” as some lamented (Pascual-Ramsay 2014: 52). The regions also competed against one another for European investments in an austerity *avant la lettre* just as in Ireland, particularly from multinational companies attracted – among other things – by a low-cost labor force (Molina and Rhodes 2007: 240). The Basque Region in particular exported nearly 31 per cent of its GDP to mostly European countries in 2004 (compared to 24.9 per cent in Spain at large), with a trade-to-GDP relation of 123.25 per cent (Spain: 53.1 per cent, Germany: 71.7 per cent) in the same year (Royo 2008: 170). Similarly, Spanish regions – like Greek ones, or Portuguese, Irish, and even German ones up to 2007 – received regional European Union cohesion fund disbursements, to support their infrastructural and educational investments beyond what the European banking circuitry invested into the country (Lastra-Anadón 2014: 180). These, like foreign direct investments, required 'business-friendly' policies, i.e., austerity (Royo 2008).

Neither the Spanish centralization/regionalization differential, nor Spain's labor market policies (particularly regarding temporary contracts and wage moderation), nor Spain's social

policies and pension system changed under so-called 'crisis' conditions. To be sure, the so-called 'crisis' changed the mode of implementation for each of these (for example, from labor market concertation to imposition by decree), as in the Irish case. Moreover, it is true that the construction boom collapsed after 2011 (Blyth 2015: 257). Likewise, it is true that Spain's federal bond yield spreads over Germany did rise after downgrades in 2011 and that Spanish regions effectively lost access to international capital markets in 2012 (Bastasin 2012: 95; Colino and del Pino 2014: 168-169).

The labor market boom associated with the construction sector as well as the subsequent substantial losses of jobs likewise make it appear as if the so-called 'crisis' was indeed a watershed (Pascual-Ramsay 2014: 46-47). When the so-called 'bubble' burst, job shedding prevailed, as noted above (Hamann 2011: 200). Spanish unemployment doubled between 2007 and 2009 peaking at more than a quarter of the workforce in 2013 (Eurostat 2015e). This significantly contributed to social unrest (Smith 2012; Fernandez-Albertos et al. 2014). Pronouncements that it was a "necessary adjustment" due to "labour market rigidities" are disingenuous at best (European Commission 2012d: 10). The trajectory of Spanish policies and their socio-economic results remained the same.

Thus, the continuity of contractual forms in boom and bust is the decisive factor. Indeed, "contrary to widespread belief,... high profit margins contributed more to Spain's chronically high inflation than did unit labor costs" (Pascual-Ramsay 2014: 47). Nevertheless, the anti-inflationary pressures of European Monetary Union were used as a pretext to call for wage moderation and labor market reforms aimed at 'flexibility' prior to 2009, a move familiar to European and indeed most global countries over the last forty years (Royo 2008: 115). The first Zapatero cabinet (2004-2008), nominally socialist in much the same way that Greece's PASOK

was socialist, implemented business-friendly labor market legislation long before the first traces of the so-called 'crisis' became visible. Labor contracts, in particular, were liberalized (Hamann 2011: 193).

Just as in Ireland, albeit at the low-skilled end of the employment spectrum, the boom on Spanish job markets between 2003 and 2008 was based to a large extent on the very same fixed-term contracts which allowed sudden and massive job shedding when the so-called 'bubble' burst (Hamann 2011: 212). The structure of job losses is instructive. The first to be let go were low-skilled immigrants in the construction sector (*ibid*: 206), followed by large amounts of laborers affected by SME closures related to construction services and tourism, and finally the Spanish middle class at large, affected equally by the breakdown of Spanish domestic demand, international demand particularly for tourism, and investment decline (Simó and Vilà 2012).

This continuity of pre-'crisis' hiring and 'crisis' firing based on fixed-term contracts was not restricted to jobs directly related to the construction boom and its subsequent breakdown. As in Ireland (and Germany) employers invoked so-called 'crisis' conditions to deepen the subcircuit's two-tier labor market structure (Gebel and Giesecke 2011). In 2010, a labor market reform fully liberalized temporary contracts, leaving "no restrictions and exclusions of any specific sectors" and "no overall limits on duration for temp agency contracts," both provisions which had protected workers before (Bertón et al. 2012: 46). This liberalization, just like the 2012 reform which simplified the costs and procedure associated with laying off an open ended worker, failed to generate new employment (Hamann 2011: 199; Bertón et al. 2012: 49). It did, however, follow the structure of the conversion of extra-economic sovereignty to intra-economic sovereignty in replacing labor market concertation with austere governance by decree (Holman 2004, Harmes 2006). The 2010 reform was passed against union resistance "as a decree law on June 16, shortly

after the EU published a report on Spain's financial situation. The measure was thus intended to respond to EU demands to reduce the budget deficit as well as long-standing EU demands to address the segmentation of the labor market" (Hamann 2011: 205). Austere benchmarking, as this study has shown in Germany, just as in Greece and Ireland, constitutes national economies only to have them compete against one another in races they cannot win, and, in the moral economy of condemnation, are not intended to win. Yet, neoliberal competitive disinflation is older than austerity. 'Crisis' merely renewed its vigor; it did not change its trajectory.

Likewise, austere benchmarking is not interested in economic data if these do not fit its picture of morally condemned periphery economies. Spain's social expenses, to use the most poignant example, had been relatively low in international comparison long before the so-called 'crisis' particularly with regard to its pension system. At 21 per cent of GDP in 2007, Spain's social expenses exceeded only those of Great Britain and Ireland in the Eurozone, two countries whose political economy had long been predicated upon business-friendliness, as well as Luxembourg and the Netherlands, two very wealthy countries (Ashbee 2011). To be sure, Spain's social system also "perform[ed] poorly" with regard to "eliminating relative poverty" (Royo 2008: 6). Indeed, it ranked last in the Eurozone in terms of reducing inequality (Lastra-Anadón 2014: 188). In comparison with the remaining GIIPS countries, too, Spain scored lowest in this regard (*ibid*: 188-189). Yet, that is hardly what was criticized when Spain's social expenditures were noted as "an issue of particular concern" in the so-called 'crisis,' given "the country's demographics ... and the worrisome state of its public finances" (Pascual-Ramsay 2014: 56). Rather, reforms during the so-called 'crisis' aimed at raising the retirement age and reducing social expenses in general (Tremlett 2013). Here, too, continuity from pre-'crisis' to 'crisis,' and on to 'crisis response' prevailed. As in Ireland and Portugal, and, in different ways, in Greece and

Germany, too, neoliberal reforms were destructively escalated, but not altered by austerity.

Continuity can finally be found in the Spanish centralization/regionalization interplay. This is noteworthy particularly because continuity exists here not just with regard to this interplay as a national characteristic, which it undoubtedly is to a more significant extent than in many other European countries. The current Spanish polity can be seen as an attempt to mediate between the extremes of 1936 separatism and Franco centralism. Yet, Spain's European embedded federalization attempts, just like attempts to further regionalize Spain's political structure, have played out seamlessly through both 'boom' and 'bust.' (Royo 2008: 115; Colino and del Pino 2014: 171; Lastra-Anadón 2014: 179)

In addition to the regionally differentiated bond issuance discussed above, the real economic effects of 'boom' and 'bust' in Spain have been regionally differentiated along the lines of the direct European connections of the Spanish regions. Growth has been differentiated among Spanish regions, albeit somewhat paradoxically. Regions like Catalonia, with consistent high demand for independence, experienced less growth than Spain on average between 1999 and 2007, while less independence-minded regions, like Castilla y León or Asturias, experienced higher-than-average GDP growth (Lastra-Anadón 2014: 168). Only the Basque Country, the most integrated region into European value-added streams as well as the most wealthy region of Spain, was consistently at the forefront of regional struggles for autonomy (Royo 2008: 167; Lastra-Anadón 2014: 169). International capital flowed not just into Spain at large, but it was also differentiated regionally. As a result, some regions engaged in public infrastructural projects, at times exuberantly so (Harter 2012). Others attempted to maintain a relatively flat income distribution, particularly the Basque Country and the Navarra region (Lastra-Anadón 2014: 189).

To nobody's surprise, these differentiated growth patterns with their concomitant fiscal and

social expenses corresponded to equally differentiated post-2009 “revenue shock[s]”, “the sharp reduction in regional revenues produced by the bursting of the real estate bubble and the resulting collapse of tax yields” (Colino and del Pino 2014: 160). But some of the more spectacular failures also allowed austerity discourses to indiscriminately lump useful social and infrastructural expenses together with “the wasteful spending that has sunk Spain deep into a recession and a banking crisis” (Minder 2012). This invited the aforementioned competitive disinflation among Spanish regions, citing infrastructural failures and declining tax revenue to accelerate existing fiscal competition. Regional governments' revenues, either levied directly through funds received from the Spanish central government, declined significantly when regional GDPs declined (Lastra-Anadón 2014: 180-181).

The origin of this decline were the developments in the European housing market as they played themselves out in Spain's subcircuit. These encompassed a European-scale capital retraction, European-scale redirection of immigration, and a European-scale decline in effective demand resulting in diminished tourist revenue. Moreover, the differentiated 'shocks' to which the Spanish regions were subject were effects of their constitution as objects of portfolio allocations within European banking circuits. The differentiation of interest rates demanded from Spanish regions over their central government in particular (in turn, differentiated vis-à-vis Germany) was the result of market auctions on European secondary bond markets (Colino and del Pino 2014: 160).

Yet, it was nationalized in austere methodological nationalism and thus came with the transposition of the aforementioned deterioration of sovereign funding access for regions into austere conditionality attached to the central government's bailout payments to regions who had to fulfill austere budget goals to receive funds (Colino and del Pino 2014: 160-161). As a result,

Spanish regions were pitted against one another in a competition orchestrated by Spanish centralism at the behest of the European banking system. Before the so-called 'crisis,' regions competed for European investments. Now they compete for austere disinflation. Wage cuts, social cuts, and debt service prioritizations remain the same under both kinds of competition.

Likewise, the Spanish central government was harnessed to recapitalize the banking sector, later aided by the ESM's asset relief efforts (SAREB 2015). It was also used as a conduit to impose austerity: to raise the retirement age, to reduce social expenses, and to prioritize debt servicing efforts (Hamann 2011: 193; Tremlett 2013; Pascual-Ramsay 2014: 56). These efforts to structure Spain's social and fiscal policies according to the demands of the austerity transposition were also, as shown above, direct continuations of policies during the 'bubble' years (Royo 2008: 115). In turn, austere centralization entails competitive decentralization: a newly-instituted rejection of regional bailouts along with conditionality attached to the regular funding disbursements to the regions by the federal government (Colino and del Pino 2014: 173). This had decentralizing effects which allowed markets to differentiate along flights-to-safety to the Spanish federal government and ultimately the European core (Pusch 2012: 2-6). Yet, this decentralization was centralized, as it was setting up competition within the boundaries of austerity set by the central government, at the behest of banking circuits (Lastra-Anadón 2014).

## 6.5 Italy

The Spanish and Italian subcircuits both present a core-periphery differentiation to the European banking circuitry (Catalonia and Basque Country versus Madrid; Mezzogiorno versus Tuscany and Lombardy). As in the Spanish case, Italy's economic structure as well as the effects of European Monetary Union and its supposed crisis are not only inexplicable on the basis of the national economic framework; they are also insufficiently analyzed under the assumption of a

discontinuity between the 2003-2007 'boom' period and post-2007 or 2009 'crisis' periods. Exemplifying both European embeddedness and continuity, the continuity traversing the introduction of the Euro was more pronounced in the Italian South than the North because of the North's European embeddedness (A'hearn and Venables 2013: 623). Moreover, continuity through 'pre-crisis,' 'crisis,' and 'crisis response' periods was even more pronounced in Italy than it was in Spain, since European Monetary Union was as little of an expansionary shock for the Italian economy as it was for its Portuguese counterpart (Blyth 2015: 68-71). Quite the contrary; as it did for the remainder of the GIIPS economies, the introduction of the Euro stripped Italy of the ability to restore competitiveness via Lira devaluation (Emmott 2012: 78; di Nino et al. 2013: 363). For Italy as for Portugal as well as Spain and Ireland this had sectorally differentiated proto-austere effects before austerity (Lucarelli 2011).

As in the Irish case and to a certain extent the Spanish case, proto-austere governmental policies did not save Italy from being associated with the GIIPS group when investors reallocated their European portfolios in 2012. Italy had been recognized as largely solvent prior to the liquidity withdrawal (Belke 2012: 685). Its government ran surpluses throughout the 2000s (Lombardi and Paganetto 2014: 69). Moreover, Italy had focused on 'prudent' proto-austere policies early on after 2008 (European Commission 2012b: 13). Nevertheless, Italy was subjected to an austere transposition to safeguard its fundamental. The aforementioned public Italian savings in particular were quickly brushed aside. On the one hand, noting Italian current account deficits, it was found that Italian savings were "insufficient to fund its investment activity" in the 2000s. On the other hand, "the crisis determined a sharp fall in the household saving rate, as households did not adjust their consumption to a disposable income that remained on average flat over 2008-2010" (European Commission 2012b: 9-10). The argument is

recognizable from Ireland and to some extent Portugal and Spain. While households are faulted for the very same credit-based consumption previously encouraged (Considine and Dukelow 2011: 195-196), the banking sector is posited as a victim of “[h]igh government debt and low growth” which “adversely affect the Italian banking system and credit conditions” (European Commission 2012b: 14).

A considerable amount of Italy's involvement in the 'crisis' is not only due to self-fulfilling liquidity withdrawals, but also to the indiscriminate, but very profitable, ignorance of carry traders. In 2011, Italians faced the highly unfortunate choice between a continuation of Silvio Berlusconi's scandal-ridden tenure as Prime Minister and the installation of “unelected technocrat” Mario Monti (Day 2012). This only served to justify prejudicial market attacks on Italy. “Sclerotic, even lazy, preferring la dolce vita or, for the lucky few, bunga-bunga: that became the northern European caricature of Italy” (Emmott 2012: 74). It further solidified the classification of Italian sovereign debt as GIIPS debt, embedding its fundamental into the effects of the European liquidity-solvency conversion, the country's real situation notwithstanding: “[d]espite following quite a prudent budgetary policy since 2008, markets noted that it would not take much of a rise in Italy's borrowing costs to tip it over the edge and towards Greek-style insolvency” (*ibid*).

Contributing to this notion were assessments of Italy's public and social expenses similar to those of Spain, as a “burden weighs on labor costs,” namely, the so-called implicit tax rate (direct taxes, indirect taxes, social payments) levied upon labor salaries in Italy, which was at 42.6 per cent in 2010, 4.5 per cent above the Eurozone average (European Commission 2012b: 18). Central to this criticism, as well as to the reform efforts responding to it, was the Italian pension system which, like that of Spain, was deemed excessive for taking up 16 per cent of Italy's GDP

as of 2012, up from 15 per cent in 2010 (Lombardi and Paganetto 2014: 75; Emmott 2012: 96-97). Italy therefore presented itself to the austerity narrative as yet another case of a morally pernicious economy, which supported subsequent austere reforms in continuity with proto-austere competitiveness measures implemented in the course of European Monetary Union (Bertoni et al. 2011: 41).

This is not to say that were not real problems in the Italian subcircuit of Europe's economy, too. Other factors contributing to this assessment of Italy's endemic weakness were problems of contract enforcement reminiscent of Greece's problems in this regard (Mitsopoulos and Pelagidis 2011: 55-110). Thus, according to the OECD, one of “[t]he main elements of the inefficiency in Italy's regulatory environment” is “to be found in the judicial system,” along with “financial markets, and electricity markets, and through the tax burden” (Lombardi and Paganetto 2014: 76). In particular, foreign direct investments were hampered by “costly enforcement of contracts related to flaws in the Italian civil justice system,” resulting in Italy ranking “158th out of 183 (the worst in the EU) as regards contract enforcement procedures” (European Commission 2012b: 23). Corruption has been another major factor in Italy, both in terms of its growing perception in the context of the so-called crisis and with the real increased presence of Italian criminal enterprises in some regions affected by the European credit contraction (Emmott 2012: 151-152; Lombardi and Paganetto 2014: 88). An example for the latter was the inability – or unwillingness – of some regional governments in the Italian South to remove waste after 2008, a problem accelerating during the so-called crisis and ultimately 'solved' by the Mafia (Nadeau 2010).<sup>48</sup>

---

48 One remaining factor of Italy's economy which is firmly European (and global) in its orientation, capital structure, and operative outlook, is the illegal economy which has expanded from the Italian South to the North and into European trade (Emmott 2012: 142-146). Discussing this part of Italy's domestic product – which, if properly measured, would be substantial – would follow the very same pattern of European rather than national analysis paired with finding continuity rather than discontinuity as the remainder of the Italian economy's

Nevertheless, in many other ways, Italy's public expenses were in line with the European average, for example, with regard to environmental protection (Lombardi and Paganetto 2014: 75). Complicating the all-too-easy picture of profligate, lazy, or otherwise ineffective Italians is therefore a major task of this section. It is worth taking the European Commission at its own words: "Italian banks have coped better than their European peers during the financial crisis, thanks to their conservative business model and the absence of a real estate bubble in the country" (European Commission 2012b: 14). After 2008, this meant a decreased ability to refinance loans through international wholesale finance, along with a subsequent reliance on ECB financing (Giannone et al. 2011). Yet, they were threatened by a "reduced ability ... to access market financing" as Italy came to be embedded into the GIIPS category, a decrease in access to liquidity blamed on interest rate mark-ups generated by high government debt (European Commission 2012b: 14).

None of these conditions is national. Apart from the obvious non-national origin of central bank funds stemming from the Eurosystem, interest rate mark-ups were due to the liquidity-solvency conversion enacted by the European banking circuitry against Italian sovereign bonds, and thus against the Italian banking system (Belke 2012: 658).

All of a sudden the presumed strengths of the Italian fiscal position turned out to be reasons for its weaknesses: the size of its bond market was not a reason for liquidity anymore but the ballpark of global risk reduction. The significant share of domestic investors in the Italian debt also backfired because once the sovereign debt started looking wobbly, the largest Italian banks also seemed less safe than before (Bastasin 2012: 288).

In other words, the speculative attacks endangering Italy's liquidity during the so-called crisis were so many attacks of the European banking circuitry upon its Italian subcircuit. As a result,

---

presentation in this chapter. However, exploring the specificities of the Italian criminal economy is beyond the scope of this chapter and indeed this entire study.

Italy's GDP contracted by 7 per cent between 2008Q2 and 2009Q2 (European Commission 2012b: 8). A further contraction by 5.5 per cent occurred in 2009, as did credit contractions in 2011 and 2012 (Lombardi and Paganetto 2014: 72).

Nevertheless, Italy as a whole is noteworthy for its economic, social, and political continuity throughout the 'pre-crisis', 'crisis', and 'crisis response' periods. Notably, European Monetary Union has not been a growth shock to Italy as much as it has been for Spain and Ireland (di Nino et al. 2013: 352-353). Consequently, neither European Monetary Union nor its so-called crisis have been shocks to Italy's economic performance, similar to Portugal (Emmott 2012: 88). In theory, the Italian subcircuit should have experienced the same expansion of liquidity as Spain, engendering a similar boom of its real economy (Lo Conte 2009: 360). The effect actually experienced was in *composition*, however, not in size. Italian residential portfolio composition was affected by European financial integration, as residents were able to purchase more non-Italian equity between 1999 and 2007 than in the periods before (European Commission 2012b: 11).

Likewise, some sectors of the Italian real economy enjoyed export successes because of European Monetary Union, while others were subjected to increased competition because of European production restructurings (Lombardi and Paganetto 2014: 66). The aggregate effect, was not an expansion during European Monetary Union, but a change in Italy's production sector's composition. This is somewhat similar to the compositional changes associated with the 'boom' economies of Spain and Ireland, although Italy's economy did not result in a 'bubble.' In the latter respect, it resembles Portugal. To explain this fully, however, it is necessary to consider, firstly, Italy's North-South differentiation as it is embedded into the European economy, before turning, secondly, to the Italian economy's sectoral composition, its changes in European

Monetary Union and its so-called 'crisis,' and, thirdly, to discuss Italy's labor market continuities as they resemble those of Spain and Ireland.

### *6.5.1 Italian Regional Differentiation*

On the whole, European Monetary Union had not been an expansionary shock for Italy: “2001-2010, Italy's annual growth averaged at 0.25 per cent; with population growth through immigration, per capita income actually declined” (Emmott 2012: 79). European Monetary Union was rather a contractive occurrence, removing the Lira's devaluation as a policy option to stimulate the Italian real economy (di Nino et al. 2013: 352-353). That “[e]xport pessimism has again emerged” in Italy after 2009, returning to an older “widespread narrative about Italy's long-term stagnation and relative decline,” does not mean much in this regard (Federico and Wolf 2013: 329). Indeed, the nominal devaluations of the Lira, which were able to offset the effects of Italy's nontradables sector and its real exchange rate effects prior to the inception of European Monetary Union, disappeared at the turn of the 21st century (Emmott 2012: 189; di Nino et al. 2013: 352-353). By the same token, it is not surprising to find that the so-called crisis has not been much of a contractive shock. GDP did contract, as did foreign direct investments (European Commission 2012b: 22; Lombardi and Paganetto 2014: 72). However, foreign direct investments maintained both their negligible overall level as well as their focus on low-technology manufacturing throughout European Monetary Union and its so-called crisis (European Commission 2012b: 22). Moreover, Italian exports in North and South alike increased or, at least, remained at their 'pre-crisis' levels, and Italy has been able to maintain its position (positively and negatively) with regard to global manufacturing (di Nino et al. 2013: 352; Lombardi and Paganetto 2014: 79).

Noteworthy in Italy's case, as in Portugal's case and, to a lesser extent, the entire Eurozone,

is therefore the continuity of its economic, social and political structure throughout European Monetary Union and its so-called crisis. This continuity, moreover, is unintelligible if it is not interpreted as the continuity of a European economic subunit internally differentiated by its North-South divide. Seemingly, it is the most distinctly national of all formations to be discussed here. After all, its history reaches back to the time of Italian unification in 1861, or even earlier (A'hearn and Venables 2013: 600). “[T]he existence of a large and persistent regional economic divide in Italy is a well-known phenomenon” (European Commission 2012b: 18). Moreover, as in Spain, the regional divide is overdetermined by a political regionalism mostly championed by the almost exclusively Northern far-right *Lega Nord* party, whose close ties to Silvio Berlusconi's government as well as its associated scandals have often been said to be Italian domestic phenomena (Emmott 2012: 165).<sup>49</sup> Yet, neither its structure nor its effects, at least not since Italy's founding membership in European Monetary Union in 1999, and *a fortiori* not in the so-called Eurozone crisis, can be explained on a purely national basis.

The Italian South has persistently been poorer than the North. The South's income per capita was at a third of that of the North after European Monetary Union (Emmott 2012: 104). As of 2011, the North's average income per capita was at 116 per cent of that of the South (A'hearn and Venables 2013: 601-602). Urbanization sustained this development, as it “was primarily a phenomenon of the North, rather than of the South” (*ibid*: 604). Production structure is likewise differentiated on a North-South axis. Italy's “two largest activities within manufacturing, textiles and engineering, are those with the most pronounced North-South gradient” (*ibid*: 605).

---

49 Given the rise of far-right groups throughout Europe discussed elsewhere in this study, and the spoils to be gained by their functionaries from their ascent – particularly as members of the European Parliament – such methodologically nationalist ascriptions likely serve more to uphold the moral condemnation of Italy than as an actual diagnosis. In any case, corruption cases involving Britain's Nigel Farage and France's Marine Le Pen are as well known as the prison sentences currently served by the leaders of Greece's Golden Dawn, and cast significant doubt on the domestic character of Italy's far-right corruption.

Moreover, labor market participation is much lower in the South than in the North, partly because of the larger extent of illegal or otherwise untaxed economic activity in the South as opposed to the North (Emmott 2012: 87).

Yet, all these supposedly domestic developments are intimately connected to by European differentials, if not directly engendered by them. Thus, the Italian North's advantage over the Italian South with regard to its manufacturing, textile, and engineering specialization is derived less from internal differentiation and more from the Italian position with regard the European Common Market, particularly after European Monetary Union (A'hearn and Venables 2013: 605). While the Euro's introduction removed the Lira's ability to restore competitiveness via devaluation, European Common Market integration in a longer-run perspective has had expansionary effects (di Nino et al. 2013: 363). The European Common Market caused France's, Germany's, and the Benelux countries' share in Italian exports to rise from 21.2 per cent (1951) to 44.8 per cent (1971), "a share they retained two decades later" (A'hearn and Venables 2013: 623). This has had differential effects upon the parts of the Italian economy. "Given that land carriage was the dominant mode of transport, the impact was felt more in the North than the South" (*ibid*).

Italy's geographical divide engendered a two-tier labor market akin to that of Germany, Greece, and Spain, although its Italian incarnation is differentiated along more strictly geographical lines than Spain's sectoral core-periphery alignment. As in those other cases, the Italian core's 'competitiveness' stems from its methodologically nationalist aggregation with the subcircuit's periphery. One of the main sources of Italy's persistent real effective exchange rate undervaluation prior to European Monetary Union was "an abundant supply of labor to the manufacturing sector from the rural (especially southern) periphery, which kept the Italian price

level down relative to the international average through the 1970s” (di Nino et al. 2013: 352). This development persists until today, as is evident by unemployment rate and income differentials in the South vis-à-vis the North. Regions in the North, such as Tuscany and Lombardy, still experience consistently higher income than their Southern counterparts, such as Sicily or the Campania (A'hearn and Venables 2013: 602, 626). Unemployment is likewise regionally unequally distributed. According to Eurostat data, Northern Italy experienced average unemployment in 2014 of 8.5 per cent, as opposed to 11.4 per cent in the center, and 20.8 per cent in the South, including the islands.<sup>50</sup>

As in Spain, the Italian real economic North-South differentiation has been largely continuous during the so-called pre-crisis, crisis, and crisis response periods. To be sure, in real economic terms, there have been differentiated effects of the so-called crisis. Northern Italy was able to maintain its export and sales strength throughout the so-called crisis, while “central and southern Italy [may] have managed to increase exports,” even though they have “not seen the same growth in sales and production as in the north” in the so-called crisis (Lombardi and Paganetto 2014: 79). This differentiated effect of ‘crisis’ conditions thus merely reinforced the pre-existing divide. Italy's supposedly national specialization are mostly products recognizably associated with Italy, as well as early-stage industrial products: “Made in Italy” products such as “textiles and clothing” as well as “metal, mineral and plastic products” (European Commission 2012b: 19; cf. Emmott 2012: 99). This was consistent throughout Italy's membership in European Monetary Union as well as during the Eurozone's so-called crisis. Roughly a fifth of Italy's exports in 2006 belonged to the textile/yarn, clothing/apparel, footwear, and furniture categories, most of which are situated in the North (Federico and Wolf 2013: 335). “In fact, Italy

---

50 Author's calculations based on Eurostat (2015f).

succeeded in positioning itself on the top of the market for 'traditional' goods, exporting high-quality and high value-added products, and thus enjoyed some degree of market power" (ibid 2013: 329).

Finally, Italy's real economic North-South divide has been reinforced by a financial differentiation somewhat similar to Spain's reinforced regionalisms in the so-called crisis. To be sure, Italian real economic policies tend to be more unitary than in the Spanish case. For example, one of Italy's long-standing industrial development policies mandated that a certain amount of subsidies had to go to firms in the Italian South (A'hearn and Venables 2013: 624). Italy's regions enjoy some budgetary autonomy, though not close to the scope of the Basque Region (Pollack 2012). They also issue sovereign bonds, similar to those of Spanish regions, and the size of subnational bond financing relative to total government financing is roughly similar in the two countries. According to *Deutsche Bank*, 24 per cent of all Spanish sub-sovereign debt in 2013 was financed by bonds; in Italy, the corresponding figure was 20 per cent (Vetter and Fritzsche 2014).

Yet, while there is therefore a financialized differentiation in Italy resembling that of the Spanish regions, its structure is quite different. In 2012, 96 per cent of all Italian sub-sovereign bonds – none of which had been emitted since 2007 – were held by Italy's own government (Pollack 2012). This means that Sicily retains 'market' access unless "the Italian government will decide not to rollover its loans, which would amount to shooting itself in the foot" (ibid). Financial market prescriptions in Italy are transmitted this way just as effectively as in Spain. When Mario Monti stated in 2012 that there were 'serious concerns' regarding Sicily's solvency, this was by no means the hollow threat it structurally seemed to be. Rather, it served to institute austerity measures on the island, thus further lending credibility to Italy's service as intra-market

hedge (Dinmore 2012).

#### *6.5.2 Italian Sectoral Composition*

This intra-market hedge secures a banking sector which corresponds to Italy's generally fragmented business structure. Much like in Portugal, the Italian banking structure is “relevant for Italy's competitive position given the predominant role that banks traditionally play in the Italian financial system and the relatively limited reliance by firms on other sources of funding” (European Commission 2012b: 14). Despite this seemingly regional focus and scope, Italy's banking system is clearly a part of the European banking circuitry. It has been described as “fragmented” and including “strong savings and cooperative banking sectors” (ECB 2013: 13). This has been said, by the austerity narrative during the so-called crisis, to increase Italian banking sector vulnerability not only to its government's profligacy, but also to Italy's supposedly generally low competitiveness (European Commission 2012b: 21).

Yet, the Italian banking sector would have suffered little from the so-called crisis if it had not manifested as an attack of the European banking circuitry upon its Italian subcircuit. Italy's banks, by and large, are not large enough to be subject to much of the wholesale funding dynamics to which the European banking sector was subject after 2007-2008: Italy's banking sector concentration is very high (ECB 2013: 13). Indeed, only two banks, *UniCredit* and *Banca Intesa Sao Paolo*, were big enough to be directly affected by the 2007-2008 liquidity withdrawal (Emmott 2012: 186). On the one hand, this concentration – that is, a low number of very large banks as opposed to a large number of very small banks – makes Italy's banking circuit fragmented enough to distribute capital among multiple small firms and intimately connected small and medium-sized companies (*ibid*: 187). On the other hand, small banks nevertheless rely upon access to liquidity at prevailing interest rates, which shot up as the European banking

circuitry attacked its Italian subcircuit (European Commission 2012b: 12). In turn, this led to the Italian portion of the European lending freeze to the real economy emulating similar effects in Ireland, Spain, and Portugal (Wehinger 2013: 3).

Moreover, from a comparative accounting perspective, the fragmented Italian banking structure is very similar to that of Germany and France, making the austerity narrative's ascription of its vulnerability to its structure less pertinent. The German and French subcircuits fared well or badly not because of their structure, but because they, unlike their Italian counterpart, did not come under attack (ECB 2013: 13). In particular, as will be argued at more length below, the Italian banking system's reliance on small and medium-sized banks operating in close cooperation with its small and medium-sized businesses in non-financial business prevents instabilities in ownership structures along with the informational asymmetries this brings (Molina and Rhodes 2007: 243).

Apart from the European embeddedness of Italy's banking system, the country's small and medium-sized companies themselves are primarily part of a European economy. Not only Northern small and medium-sized companies have been able to carve out niches for themselves in Italian exports to Europe, but also its Southern counterparts:

Northern Italy has shown remarkable increases in exports, as well as steady growth in total sales in 2011 ... while central and southern Italy have managed to increase exports ... the resilience of Italian exports is attributable to 'specialized-suppliers,' manufacturers of specialized tools and machinery that have few substitutes and are dominated by [small and medium-sized businesses] (Lombardi and Paganetto 2014: 79).

As in Italy's financial accounts, the so-called crisis did not so much have a volume effect, whether expansion or contraction. Rather, it contributed to an ongoing reorientation of Italy's real economic production structure which was neither new to the so-called crisis nor intelligible as a purely national occurrence.

The subcircuit's story is thus more complicated than meets eyes informed by prejudicial assessments of laziness and bunga-bunga. During the European Monetary Union, Italy's national competitiveness measures have declined, to be sure, relative to China and the former 'Asian tiger' economies of South-East Asia, which entered "the relatively low-technology industries in which" Italy had "prospered, such as textiles, furniture, jewelry and shoes" (Emmott 2012: 80). "The product mix of [Italy's] exports is similar to, and hence competes with, that of emerging economies, rather than complementing it" (European Commission 2012b: 19). Moreover, this much-lamented decline of Italy's competitiveness has been said to be exacerbated in the crisis, where "[s]mall enterprises (up to forty-nine employees) have shown less ability to remain profitable" than their medium-sized and large counterparts (Lombardi and Paganetto 2014: 79).

Yet, this decline in competitiveness is largely specific to certain export sectors, while other export sectors have expanded. It is therefore more of a restructuring than a decline. To be sure, "[i]n terms of low-technology products, Italy's strength is driven by textiles and leather products, such as footwear ... which have diminished over the last two decades" (Federico and Wolf 2013: 341). Not surprisingly, the European Commission recommends in the context of the so-called crisis note that "[w]ages should not outpace productivity developments and the evolution of labor costs should be supportive of competitiveness gains" (2012: 24). Yet, positioning the Italian economy in competition with emerging countries with regard to the sales of its formerly main product line (European Commission 2012b: 19). Here as in Greece's and Spain's case, and indeed the German case, the methodologically nationalist imposition of 'competitiveness' indicators turns sectorally differentiated effects into national competitiveness troubles. Austere 'recommendations' based on the latter thus embed the Italian subcircuit into a competition for which it is not equipped, and in which it prevail without succumbing to a debt deflationary spiral

(Sardoni and Wray 2013: 469). In turn, the latter serves not only the 'core'-'periphery' differentiation on European bank balance sheets, but also the destruction inherent to the moral economy of austerity.

What the Italian subcircuit is currently experiencing is not an overall decline in its competitiveness, but a sectoral one. It is a reorientation in its overall production and specialization structure. For one thing, Italy's signature products are increasingly assembled and designed in Italy, but its production depth is increasingly shallow. Large amounts of "Made in Italy" goods are now produced in Romania, whose labor costs are lower than Italy's (Emmott 2012: 104). As a result, "the country is increasingly exporting intermediate goods for the car industry ... but also other highly-specialized machinery and parts thereof ... and electrical equipment" (Federico and Wolf 2013: 342). Thus, as of 2006, "[t]he five most important products, all industrial, accounted for 16 percent of total exports" (*ibid*: 335). The latter exports – industrial manufacture in particular – are largely dominated by small and medium-sized businesses (Lombardi and Paganetto 2014: 79).

Italy's exports are therefore quite capable of supporting businesses whose size is ruled in the austerity perspective to be too small to be competitive: "[a] slow reorientation of exports towards emerging markets is taking place and exporting firms have become more competitive, but the small size of firms remains an obstacle" (European Commission 2012b: 21). Rather, the prevailing SME structure of industrial manufacture, despite the effects of the so-called 'crisis,' invites a different conclusion. Italy has come to occupy and defend – 'crisis' notwithstanding – a strong European and global position with regard to industrial manufactures, shifting away from its outsourced former textile production whose final assembly nevertheless still happens in Italy.

This is in line with pre-'crisis' normality: "[s]ince the 1930s, [Italy] has exported more

manufactures than primary products and currently [as of 2012] it is the third largest exporter of manufactures in the European Union and sixth in the world" (Federico and Wolf 2013: 327).

Such a restructuring is merely a change in the production structure of an integrated European circuit of which Italy continues to constitute a subcircuit. A loss of competitiveness, as insinuated by the European Commission, would be an erroneous, because *national* measurement. Nor does any of this have anything to do with "la dolce vita or, for the lucky few, bunga-bunga" (Emmott 2012: 74).

As stated earlier, this does not mean that Italy's economy does not have its shortcomings. 71 per cent of value added in Italy in 2008 was created in its service sector, with a measure of 73 per cent in 2014 (CIA 2015). This is "why it matters that in Italy service industries are the most restricted, conservative and often backward parts of the economy, where competition is weakest" (Emmott 2012: 100). Such sclerosis is familiar from the Portuguese case and does indeed threaten Italy's competitiveness. At the same time, a good number of these assessments is based on assumptions such as the one cited above that small firm size corresponds to a lack of competitiveness or to low-intensity research and development. Italy's small and medium-sized businesses, like Spain's, do cooperate in regional technology parks and research clusters supported, to varying extent, by regional concertation and public investments, particularly in the North (Emmott 2012: 73; di Nino et al. 2013: 364-365). It is thus highly likely that statements regarding a lack of research and development efforts hold sectorally and geographically, particularly for the South and sectors such as services, but not across all Italian firms. The North is faring better than the Italian South, and manufacturing is doing better than textiles, both for reasons well beyond Italian borders. Moreover, the so-called 'crisis' had sectorally and geographically differentiated effects. Both North and South sustained and even expanded their

overall export volumes, although the North remained ahead both in absolute and relative terms (Lombardi and Paganetto 2014: 79).

Italy's economy may suffer from a somewhat bloated service sector which may indeed diminish its competitiveness in some respects, but one should also not overestimate this part of the austerity narrative (Federico and Wolf 2013: 329). It seems to be too close to the moral condemnation of the purported 'dolce vita' in Italian business culture to be credible outside of a context whose goal is to justify austerity. Competitiveness in itself is, of course, a comparative measure: labor cost vis-à-vis Romania for "Made in Italy" products, vis-à-vis China and South-East Asia for industrial products (Emmott 2012: 100; di Nino et al. 2013: 352); research and development expenses as well as nontradables pricing vis-à-vis similar expenses in Germany and France (Lombardi and Paganetto 2014: 86); the resulting real exchange rate differentials vis-à-vis nominal exchange rate devaluations which were possible with the Lira but not with the Euro (di Nino et al. 2013). As such, 'competitiveness' follows the austere transposition, constituting that part of a European sectoral shift which occurs in its Italian subcircuit as a loss of competitiveness in the Italian national economy at large. What really occurred is a sectoral realignment, where textile production came to be split between upstream activity in Romania and downstream activity in Italy, as manufacturing activities return to Italy. The 'dolce vita' narrative is mainly an instrument used to impose a set of austerity measures upon an economy whose structural weaknesses (and benefits) are much more aptly interpreted as an ongoing reorganization of a subcircuit of a European manufacturing economy.

### *6.5.3 Italian Labor Segmentation*

Just as in Spain, a fundamental continuity prevailed on the Italian labor market throughout the supposed discontinuities in 'pre-crisis', 'crisis', and 'crisis response' periods. Likewise, as in

Spain as well as in Ireland, this continuity has been dissimulated by discontinuities in mode of implementation as well as accelerated speed and exacerbated depth of pro-business, market-friendly reforms.

To be sure, it may have looked like an emergency response when, in 2011, “the Berlusconi government was forced by the financial crisis to introduce [a] package of emergency measures,” exploiting the opportunity for local (plant-wide or regional) labor contracts to deviate from national wage-setting as well as labor standards (Bertoni et al. 2011: 41). Moreover, dismissals were made easier for firms above 15 workers, while the package also deepened the distinctions between protections contained in standard contracts as opposed to nonstandard (temporary, low-protection, etc) contract types (*ibid*: 42). These measures were introduced and defended as reactions to the so-called crisis, in order to restore the Italian competitiveness that was supposedly suffering from comparatively high labor costs (European Commission 2012b: 24).

Yet, as in Spain, several elements of these measures are in direct continuity with 'pre-crisis' legislation and economics. Two such continuities stand out in particular. A thoroughly 'incentivized' labor market structure had existed long before its reinforcement in the so-called crisis. As in Spain, its origin was European: temporary contracts had become prevalent in Italy as part of the reform efforts corresponding to the Single Market and its currency. In 1997, temporary contracts were legalized, even though originally, they were “explicitly forbidden for positions having low professional content, or for dangerous tasks or tasks involving continuous medical oversight” (Bertoni et al. 2011: 36). However, “all these restrictions were abolished in 2003,” long before the so-called crisis (*ibid*).

Moreover, the Italian labor market had a two-tier structure long before it was reinforced in the so-called crisis as well, much like those of Spain and Germany, of a stable core of open-

ended, socially secured contracts as opposed to separate, less secure labor markets for women, migrants, and the Italian youth (Bertoni et al. 2011: 42; Paoletti 2011: 70; Emmott 2012: 89).

Thus, while Italy's "jobless rate dropped from 12.6 percent in May" 2014, "[j]oblessness among those between the ages of 15 to 24 rose to 43.7 percent in June from 43.1 percent in May" of the same year (Totaro 2014). This two-tier structure is in direct continuity with Italy's 'pre-crisis' labor market structures, similar to Spain, Ireland, and indeed the entirety of Single Market Europe (Holman 2004).

### 6.6 Conclusion

By invoking the circuitist perspective, this chapter has advanced a critique of the methodological nationalisms contained in justifying and implementing the austere transpositions of the so-called Eurozone crisis: the stipulation of 'Mediterranean' national economies characterized by low growth and inefficiency on the one hand; national profligacy threatening the European projects on the other. I have argued for a perspective that examines the European real economy as a unified whole, structured by a unified European banking circuit. In this chapter, I have shown point with respect to the subcircuits of Portugal, Ireland, Spain and Italy. The analyses given here therefore round out the critiques developed in previous chapters, about methodological nationalism in the German case as well as the corresponding political nationalism and the self-destructive effects that Greek politics were subjected to when attempting to survive in the context of the austere transposition.

Along with a critique of the national analytical framework, I have challenged in this chapter the perspective of temporal discontinuity brought to bear in analyses of the European circuitry by the notion of 'crisis'. I have argued that the national economic framework is invoked and sustained by the notion of crisis insofar as this notion posits 'crisis' and European Monetary

Union itself as 'shocks' external to the economies in question. This is not only empirically problematic. As the Italian and Portuguese cases have shown, European Monetary Union has not had expansive effects on all so-called 'peripheral' economies (di Nino 2013: 352-353). It is conceptually problematic as well. This conceptual problem, as I have shown in this chapter, takes on several forms; in particular, the forms of transposition by which the subunits of the European economic circuitry come to be posited as 'national' economies.

In the case of Portugal, I have shown that the so-called crisis, far from being one incurred by governmental profligacy – a crisis of sovereign debt – is rather endogenous to the European banking circuitry to which its 'real' counterpart is an appendix. Portugal's case is that of an economy whose financial system's characteristics resulted in a specialization whose competitiveness vis-à-vis non-European economies had been low throughout the period of European Monetary Unification. This is not related to sovereign expenditures, whose relatively large extent was rather an effect of the Portuguese economy's sluggish nature throughout the 2000s. Rather, Portugal's economic situation in the so-called Eurozone crisis was predominantly a result of its European embeddedness. Moreover, the Portuguese example shows that continuity persisted from 'pre-crisis' to 'crisis,' in this case, the continuity of an economy for which the European Monetary Union had not been much an expansionary shock, and for which the so-called crisis came as a further contraction of this non-expansive structure.

The Irish case, by contrast, showed continuity traversing 'crisis' quite clearly. Here, an export-oriented economy boosted by firm commitments to trade openness, a highly educated, and English-speaking labor market, and wage moderation came to be subject to 'bubble' dynamics for precisely these same reasons, thus showing continuity between 'boom' and 'bust'. However, not only are 'boom' and 'bust' two flip sides of the very same coin, as chapter two of

this study has shown for European banking dynamics at large as well. The Irish 'crisis response' and its national austerity programmes have also been in close continuity with the overall trajectory of Ireland's pre-'crisis' growth economy. More trade openness, increased wage moderation, and additional social cuts, all supporting more export-orientation, were the response to a supposed 'crisis' which, by this same token, cannot meaningfully be called a 'crisis' at all.

Building on these findings, subsequent sections of this chapter examined the cases of Spain and Italy for their non-national (European) structures in a spatial context, as well as, temporally, their continuity in 'pre-crisis', 'crisis', and 'crisis response' periods. In both cases, I have shown that supposedly national economic, social, and political factors are in reality sustained and shaped, if not outright created and engendered, by European factors: labor market policies; immigration policies; regional economic and political divisions and differentiations between regions or entire sections of the country; firm sizes and production structures; infrastructural alignments, both problematic and competitive; and so forth. Neither Spain nor Italy exist as separate economic entities.

I have shown in the sections about Spain that the country exemplifies the tendencies Portugal and Ireland had exhibited. Firstly, Spain's territory contains a subcircuit of the European real economy which I have shown to be supranationally embedded in several crucial characteristics: in the so-called crisis itself, the construction boom and its subsequent unraveling; in the recapitalization efforts undertaken in response to the latter; in its political centralizing and regionalizing tendencies; in labor market policies and the labor market's reaction to factors such as immigration; and in its politically tumultuous nationalism. Secondly, this European subcircuit has exhibited a continuity of social, political, and economic practices which have changed in degree and mode of implementation, but not in their content, over the 'pre-crisis', 'crisis', and

'crisis response' periods. Thus, I have shown continuities prevailing across the 'boom' and the 'bust', the 'bubble' and its 'crisis,' in the Spanish labor market, especially in its contractual structure, but also in immigration, with regard to social expenses, especially to pensions, and in the differentiation of growth and contraction on the one hand, and governmental expenses, fiscal capacities, and their retrenchment on the other. Finally, I have shown that the continuity of Spain's interrelated regionalism/centralism duality, its differentiated real economic growth shocks (expansionary and contractive), the Spanish labor market structure, and its social policies through 'boom' and 'bust' are brought forth by the same factors which demonstrate that Spain's national economy is rather a European subcircuit.

Just like Spain, Italy exemplifies the fact that the supposedly national economies of Europe are, in fact, subcircuits of the unified European banking circuitry, and that this has continuously been the case, without changes, in the 'pre-crisis', 'crisis', and 'crisis response' periods. Italy exemplifies this, like Spain, in its real economic just as in its financially sustained North-South differential, and it is so in Italy's production structure as well, where I have not found a lack of competitiveness as insinuated by austere discourse, but rather a sectoral restructuring across the European economy transposed to an Italian loss of competitiveness. Italy's firms may be small and medium-sized and thus largely regionally oriented. Yet, their corresponding banking sector, as well as the shift from 'Made in Italy' products to manufacturing products are firmly European (and indeed global) in their structure. Finally, Italy's labor market shows the familiar pan-European pattern of increasingly fixed contract terms on a two-tier labor market whose continuity through the so-called crisis is at most dissimulated by the exacerbated conditions of its implementation.

In chapter four, the so-called German economy's real economic structure has been shown to

be a European subcircuit, while its 'national' specificity has been shown to be a transposition, that is to say, a geographically and politically delineated refraction of the economic processes traversing its territory (in the German case, the reactionary extremism of endless contraction or austerity). That Portugal and Ireland, Spain and Italy have been lumped together with Greece in the GIIPS category has dissimulated, as chapter five has argued, that Greece is nowhere near the paradigmatic case which it is said to be in the austerity perspective. Only if Spain and Italy, for example, are assumed to belong to the same category as Greece, can their real situations – 'boom'/'bust' oscillations, regional conflicts and differentiations, sectoral compositions and shifts – simplistically be aggregated as so many examples of governmental profligacy and bunga bunga sclerosis. Assuming that Greece is paradigmatic was therefore necessary to transpose the four subcircuits discussed here into so many national economies engaged in austere competition. Only this competition, in turn, allows the GIIPS category to work simultaneously for the asset class differentiation needed for Euro-denominated sovereign bond carry trades, and for the moral differentiation between Europe's nationally differentiated 'core' and 'periphery.'

By the same token, triumphant recognitions of returns of Ireland, Portugal, Spain and Italy to market borrowing are short-sighted insofar as they attribute these successes to austerity. Austerity has been successful and continues to be successful in its destructive moral economy. Unemployment, to use just one recent example, remains at or above a quarter of the workforce for Spain, fourteen percent for Portugal, thirteen percent for Italy, and eleven percent for Ireland, as of 2014 (Eurostat 2015e). This success, however, is a success only in the terms this study has shown to be at the heart of austerity. It has nothing to do with governmental consolidation. Indeed, this chapter has proceeded from the assumption that the discourse of governmental 'profligacy' is merely a surface phenomenon of the European banking circuitry's transpositions

constituting financial subcircuits as supposedly national economies in austere competition with one another.

National specificities are not precluded by this, particularly not cultural specificities. Compared, however, to their European structure, these supposed national specificities are nothing more than refractions. They are legal, linguistic, and individual idiosyncrasies; capable perhaps of dissimulating the underlying continuity of European economic practices, yet entirely dependent on these continuities in their constitution. They are, moreover, very useful to the austerity perspective. What better way could there be to justify the moral economy of condemnation at its heart than lumping Portuguese, Italian, and Spanish economies together in categories of 'culture'? Ireland does not, of course, fit here, easily. Yet, austerity has proven, time and again, that it is not overly concerned with details – particularly since its justifications, as this chapter has shown, do not work without overly broad generalizations.

Likewise, the continuity of these European economic practices as well as their transpositions is at best dissimulated by the so-called crisis. As in the case of the European banking system itself, an analysis of the Spanish and Italian subcircuits which does not presuppose the 'crisis' category nor methodological nationalism as its focus will find neither a 'crisis' nor a national economy. What it does find are exacerbated continuities, that is to say, an enhanced brutality of political implementation, and renewed vigor in implementing pro-business, market-friendly legislation. In other words, the Eurozone does not consist of national economies; it is an integrated European circuitry centered on the European banking system. Nor is the Eurozone's economic circuitry 'in crisis.' It is not in 'crisis' in its real economic incarnations and, as discussed throughout this study, it is *a fortiori* not in its financial incarnation either.

## Conclusion

If the empirical evidence for Portugal, Ireland, Italy, and Spain and, in yet other ways, for Greece and Germany as well, points towards continuity rather than 'crisis' of austerity, banking sector policies and profits, and European institutional frameworks, why talk about the so-called Eurozone crisis at all? Have the European people agitated and protested, stereotyped and victimized for no reason? Has there not been a real "sea change," if not a "paradigm shift," from pre-'crisis' lip service to ever deeper European Union to a realization that European nationalisms, at least for now, are irreducible (Habermas 2012: 120-121)? Have my empirical inquiries in this study not confirmed that there are indeed "durable differences" (Hall 2014: 1223) between "the (north European) savings-and-investment economies on the one hand and the (south European) credit-and-consumption economies on the other" (Streeck 2015)?

### 7.2 Continuity

Yet, it matters whether one ascribes these to national economies united in a currency union suffering from a "birth defect" (Habermas 2012: 121), as the conventional narrative has it, or to differentially specialized European subcircuits, as I have argued in this study. Only in the former perspective can Northern economies of virtuous saving be opposed to Southern economies of profligate spending. Only then is it possible to argue that the Eurozone is suffering from a lack of supply-side competitiveness, initially obfuscated by Southern European deficit spending, and now necessitating austerity reforms which, although harsh, surely will result in eventual growth (European Commission 2010b: 40). After all, the lack of supply-side competitiveness, and the ability of Southern European governments to hide it by deficit spending rather than real structural reform is precisely the birth defect of the Eurozone (Norris 2012).

To be sure, this perspective remains pertinent to what happened in the Eurozone between

2009 and 2015, and it constitutes more than just ideological flaws and surface effects. It is rather an element in an explanation of the ways in which the *continuity* of the Eurozone's institutions, and first and foremost of its banking circuitry, was preserved under conditions of the global breakdown of liquidity after 2008. The main finding of my study is that the so-called Eurozone crisis is a perfectly orderly set of transpositions originating on bank balance sheets, which had nothing to do with fiscal profligacy and had no 'crisis' character whatsoever. Claims to the contrary, however, and hence the 'crisis' trope, do play a role in the mechanisms by which the European banking circuitry protected itself against the fallout of the 2007-2008 liquidity shortage. Claiming, therefore, that a lack of supply-side competitiveness, along with irresponsible public finances, are responsible for low growth in the Eurozone is not so much erroneous as it is part of the methodological nationalism underlying the austerity transposition, as well as the 'crisis' trope underlying the country-fundamental transposition.

First and foremost, the employment of the 'crisis' as well as austere methodological nationalism protected the banking circuitry, whose profits in the second quarter of 2015 exceeded those of the second quarter of 2011 (Comfort, Munoz and Vögeli 2015). The same cannot be said of the European real economy. The banking sector's lending freeze, along with austerity's destructive effects, has stunted growth in the Eurozone substantially (Shambaugh 2012: 169-175). To this day, growth is largely absent throughout the Eurozone: as late as the third quarter of 2015, Euro area aggregated GDP had grown by only 0.3 per cent relative to the second quarter – declining from 0.5 per cent in the first and 0.4 per cent in the second quarter (Eurostat 2015h: 1). Unemployment has likewise not recovered from austerity's and the lending freeze's double onslaught: having peaked at twelve per cent in 2012, up from seven in 2008, unemployment in the entire Eurozone was at just over ten per cent in January 2016 (Eurostat 2014a; Eurostat

2016). Moreover, this aggregate is perhaps less illustrative than corresponding national figures: while Germany's unemployment rate in January 2016 was at a meager four per cent, Greece's exceeded 24 per cent,<sup>51</sup> Spain's, twenty per cent, and Portugal's, twelve per cent (Eurostat 2016).

Such high rates of unemployment, as well as their highly unequal distribution across the Eurozone, are not effects of 'crisis,' and much less effects of a purported crisis of sovereign debt. Rather, they are the side effects of the successful preservation of the European banking circuitry at the expense of Europe's real economy after 2007. The 'crisis' lens obfuscates this contradiction at the heart of the Eurozone's economic structure. Moreover, however, it also allows the banking circuitry, European institutions, and European governments to dissimulate that the banking circuit's preservation efforts are in continuity with the pre-'crisis' era: that the country-fundamental transposition is a continuation of European banking sector integration, and the austerity transposition an escalation of European neoliberalism, under the conditions of diminishing global liquidity after the 2007-2008 financial freeze (Lazzarato 2012; Streeck 2014). Three aspects in particular stand out in this regard.

The first continuity is that of Europe's market-based neoliberal mode of unification. The European project has never been a project of "democratic legal domestication and civilization of state power" (Habermas 2012: x). Rather, its *modus operandi*, both in terms of economic and in terms of political integration, has always been predicated upon "(re)regulation at the European level in terms of single market and monetary integration," while keeping the "adverse impact of economic and monetary integration at the European level on social cohesion at the national level" at bay through a mix of executive empowerment and market-oriented benchmarking (Holman 2004: 716-717). That its integration is primarily monetary and followed by fiscal

---

51 This figure is the latest available, from November 2015. Since Greece's unemployment rate has not declined below 24 per cent throughout 2015, and since employment is traditionally unlikely to rise during the winter, it seems reasonable to assume the November figure is comparable with Germany's and Spain's January figures.

integration at most secondarily – and probably never – is not an accident (Blyth 2015: 78-82). It allows the undemocratic imposition of measures to 'save the euro', which is to say, to preserve the country-fundamental transposition for the European banking circuitry (Shambaugh 2012: 200-203).<sup>52</sup>

The so-called Eurozone crisis does not therefore pose a "hopeless alternative between nation state and European federal state" as I have shown in the second chapter (Habermas 2012: ix). Rather, this seeming alternative is part of the second continuity of pre-'crisis' and 'crisis' obfuscated by the 'crisis' trope: the prevalence of methodological nationalism upholding the function of sovereign bonds as tier-1 capital on bank balance sheets, an operation simultaneously reinforcing supranational capital market integration and real economic disintegration, and sustaining the latter to attain and maintain the former. This is closely related to the third continuity obfuscated by the 'crisis' perspective: the role of methodological nationalism in the defense of the banking circuitry. European banking sector integration had taken precedence over real economic integration as early as 1992 after the Maastricht directives, and continued seamlessly after European Monetary Union (Schüler 2002; Lane 2006). This precedence, as I have shown in this study, continued throughout the so-called Eurozone crisis (Lane 2012).

Moreover, similar continuity prevailed in the role of sovereign bonds as transmission belts of banking sector integration. Prior to 2009, sovereign bond investments by the European banking circuitry were predicated upon expectations of converging competitiveness (Ehrmann et al. 2012). After 2009, tier-1 capital holdings (which is to say, sovereign bonds) became more, rather than less, important as the banking circuitry secured its portfolios against global liquidity withdrawals (ECB 2013). This means that the country-fundamental transposition and its

---

52 Whether fiscal integration under conditions of enforced austerity would be beneficial for the European real economy is, of course, a question highly likely to be responded in the negative, as I have discussed in chapter five with regard to the proposal by Bofinger, Habermas, and Nida-Rümelin (2012).

underlying methodological nationalism have been continuous through 'pre-crisis,' 'crisis,' and 'post-crisis' periods. What appears to be a difference of converging yields before 2009, as opposed to diverging yields after 2009, is rather due to the continued importance of sovereign bonds, which are now differentiated between risk and safety demand (Dany et al. 2015). It is vitally important, then, that the European real economy remain fractured in supposedly national real economies whose corresponding fundamentals serve as issuers of tier-1 capital.

It follows that the political impact and stakes of the preservation of the European banking circuitry can only be exposed once the 'crisis' lens is abandoned. This allows not only dispelling the myth of alternativeless banking sector bailouts (and equally inevitable austerity). It also shows that the conflict Europeans face is not between European integration and nation-states, nor between monetary and fiscal integration. It is between two modes of European integration, a conflict furthermore replicated on two different levels.

On the first level, the conflict is between integration benefitting capital markets at the expense of real economic integration, or a possible alternative of resurrecting real economic growth at the expense, initially, of capital market integration (Botta 2013). On the second level, a fault line lies between the moral economic disintegration of supposedly national European economies in the name of differentiated austere condemnation – and a conceivable alternative emphasizing, once again, real economic growth at the expense of losing the ability to point fingers. I have shown that financial and banking integration requires methodological nationalism. It is likely, therefore, that an abandonment of methodological nationalism, and hence genuine European integration beyond monetary and fiscal union, requires a banking system whose integration is either reduced or relies on mechanisms other than sovereign bonds held as tier-1 capital. It is also conceivable that European governments and institutions be forced to abandon

the moral economy of austerity – Yanis Varoufakis recently made an attempt in this direction with his foundation of a European anti-austerity movement (Bellon 2016). Yet, this remains a very distant possibility, particularly now that the so-called 'refugee crisis' has swept away attention from austerity's detrimental effects, and engendering new ones.

### 7.3 Transpositions

In a broader sense, this study belongs to recent research questioning the role and status of 'crisis.' The so-called Eurozone crisis exemplifies the preservation of continuity by means of deploying the 'crisis' trope. Challenges to it thus resonates with Janet Roitman's attempts to assay the concept: "Without a non-foundational foundation for political action, we can only have crisis and anti-crisis, not crisis and something else" (Roitman 2014: 92). My study heeds Roitman's call for a non-foundationalist narrative that results in something other than a crisis/anti-crisis differentiation. Moreover, I question the value of the 'crisis' trope in its entirety.

Here, the concept of 'transposition' shows its analytic power. In the second chapter, I proceed from the technicalities which allow sovereign debt to perform its function as tier-1 capital on European bank balance sheets to show that the effects of the necessary preconditions of these technicalities under post-2007 liquidity withdrawal are at the core of the so-called Eurozone crisis. I describe the totality of these necessary presuppositions as the country-fundamental transposition. Its purpose is to uphold the flow-stock conversion whereby sovereign debt can be interpreted by its owner as a flow of always already guaranteed debt repayment, which in turn allows its portfolio status as fail-safe asset eligible to be held as tier-1 capital. To guarantee this, however, sovereignty must be converted: it must be guaranteed that defaults do not occur. This conversion paradigmatically reembeds the syntagmatic element of 'sovereignty' from an absolute status as classical state sovereignty to a subordinate status as intra-economic sovereignty, to be

used exclusively as a repayment guarantee rather than an ever-present possible Grexit (Coeuré 2013).

This paradigmatically reembedded notion of sovereignty is key to understanding the so-called Eurozone crisis as an effect of continuity rather than as the watershed event it is made to be in the conventional narrative. The alternativelessness of Eurozone member states functioning as intra- and extra-market hedging operations for the European banking circuitry was neither due to such nebulous factors as “German Ideology” (Blyth 2015: 56-58), or to individual stubbornness (Varoufakis 2015a). Nor were the turbulent conditions on European sovereign bond and interbank markets after 2009 the result of hapless investors surprised by governmental cunning and suddenly panicking like a swarm of locusts whose prey disappeared, to use former German finance minister Peer Steinbrück's metaphor (De Grauwe and Ji 2013). Eurozone officials and 'markets' are neither quite as cunning nor quite as hapless. Both are caught up in the syntagmatic structures of the country-fundamental transposition. Upholding the extra- and intra-market hedging function of sovereign bonds requires upholding the flow-stock conversion which, under conditions of post-2007 liquidity withdrawals, requires the continued conversion of extra- into intra-economic sovereignty, imposed via liquidity-solvency conversion. At all times, this serves the European banking circuitry at the expense of Eurozone governments.

Interpreting this transposition as the core of the so-called Eurozone crisis not only allows a redescription of the interest rate mark-ups for the European periphery as an effect, rather than the cause, of asset class differentiation between 'core' and 'periphery.' It also explains why the insistence on state culpability, i.e., the 'sovereign debt crisis' interpretation, is a necessary syntagmatic element for the continuity of the European banking sector's portfolio architecture. I have shown that the flow-stock conversion requires the projection that the country's fiscal

capabilities always meet the fundamental's obligations. Yet, the repayment of old debt, and thus fiscal solvency, relies on issuing new debt at market interest rates (Schäfer and Streeck 2013).

The liquidity-solvency conversion therefore not only makes the fiscal solvency of a Eurozone member state dependent on its access to market liquidity, but does so within the paradigmatic conversion of the member state's sovereignty such that the state, not market liquidity, is ostensibly to blame. Thus, what is conventionally analyzed as market judgment in a state's repayment ability is in fact rather self-referential market trust in future market lending.

'Contagion,' then, just like 'stability' of sovereign bonds on banking portfolios, is a self-referential measurement of market's future willingness to lend (Botta 2013).

The analysis of transpositions is thus directed against foundationalist analyses particularly with regard to its rejection of methodological nationalism as well as behavioralist explanations of the so-called crisis. In the country-fundamental transposition, the syntagmatic relations between the elements of the country – particularly its sovereignty, classically understood to stand at the beginning of its syntagmatic chain – are not assumed to be analytically prior to the embedded sovereignty of the fundamental's intra-economic function. Rather, I analyze both as effects of their transposition. The fundamental in turn serves as intra- and extra-market hedge, structured by the presuppositions of holding sovereign bonds as tier-1 capital. Its corresponding country is a dependent function of the fundamental both with regard to the liquidity-solvency conversion and the contradiction between the demands of intra- and extra-market hedging functions. Likewise, solvency is not prior to liquidity, but liquidity can also not be converted to solvency without the assumption of the flow-stock conversion and hence the projection of extra-economic sovereignty by and for intra-economic sovereignty. The country is posited as the fundamental's foundation by the fundamental. This movement, rather than either of its sides, is the non-foundational

foundation of the notion of transposition.

The same applies to behavioralist explanations of the differentiation between 'core' and 'periphery' assets after 2009. It is not the “[b]rick and mortar … valuation” of country fundamentals from which post-2009 'panic' or pre-2009 'exuberance' deviated (Roitman 2014: 54). Nor did reckless politicians plunge hapless bankers into crisis. Rather, the 'panic' retroactively establishes the 'exuberance' just as the 'recklessness' of the periphery is the measuring rod against which the 'core' is 'sound.' The origin of both is the European banking circuitry and its differentiation between the interest rates of Euro-denominated 'core' and 'periphery' sovereign bonds. The non-foundational foundation of both is therefore the movement of the paradigmatic reconstitution of the syntagmatic element of 'soundness' as 'contagion,' and of 'normality' as 'crisis.'

Likewise, examining austerity from a perspective emphasizing its pre-human transpositional character without recourse to the 'crisis' trope intervenes into politically hotly contested discourses which congratulate Germany on its rule-abiding stance (Kaiser 2012), or condemn it for “simply being cruel to be cruel” (Moore 2015), or argue that #ThisIsACoup (*Le Monde* 2015). What is at stake is neither German hegemony nor rule-abiding “sustainable growth” (European Commission 2011b: 21), but a radicalization of a specific part of austerity's genealogy to a European dynamic going beyond even the neoliberal monetarist antecedents customarily identified in the ECB setup (Leaman 2001; Holman 2004; Harmes 2006). This transposition to the European level makes austerity, as I argue here, a purely destructive, aneconomic movement. It is interested in none of the surface phenomena to which its opponents agree with its proponents it supposedly aspires: neither sustainability nor growth, and neither credibility nor confidence (Schäuble 2011; ECB 2012; Schiaffino 2013; Blyth 2015).

Rather, austerity is a specific escalation of the country-fundamental transposition deriving its power from the liquidity-solvency conversion. For the banking sector, austerity is in continuity with pre-2009 demands, transmitted through what had then been the European Stability and Growth Pact. The constitution of supposedly national economies as competitive entities pursuing deflationary policies precedes the so-called crisis and indeed the Eurozone (Blankenburg et al. 2013: 463-465). In the course of the effects of post-2009 interest rate differentiation between 'core' and 'periphery,' however, these policies have come to be projected onto morally overdetermined methodological nationalisms, resulting in a European machinery of aneconomic destruction unleashed upon the real economies and weak social strata of what banking sector carry trades had differentiated as 'periphery.'

Prior to 2009 and in the context of global credit expansion, the European Stability and Growth Pact had not been effective in enforcing deficit and debt rules (Cohen 2012: 694-696). By contrast, the post-2009 liquidity crunch resulted in a self-reinforcing escalation of the continued insistence on deflationary, export-oriented, "expansionary fiscal contraction," now implemented with the added pressure of the liquidity-solvency conversion whose effectiveness far surpasses that of the European Stability and Growth Pact (Bastasin 2012: 174-176). Unleashed by these factors, I argue in the third chapter of this study, is a dynamic which had been contained in austerity ever since its inception in the Weimar Republic, but which had been kept in check by the Bonn Republic's social consensus. Austerity is a movement of a morally overdetermined quasi-economy in which contraction as such – public and private saving as moral virtue – is at the center. Its aim is not constructive, but destructive; not economic growth, but moral condemnation. Embedded into the social consensus of the Bonn Republic, this resulted merely in constant ordoliberal pressure (Leaman 2001; Blyth 2015: 134-143). Transposed to a

European scale in the so-called crisis, no such European social consensus exists, and the pressures transmitted by the liquidity-solvency conversion are unrestrained. The well-being of the European banking circuitry thus comes to be predicated upon a methodological nationalism opposed to the European real economy. Austerity is no longer a monetarist or ordoliberal challenge to existing social institutions, but rather the founding principle upon which supposedly national economies are founded.

Yet, as I show in chapters four and five, this transposition rests upon an overestimation of the national character of the European subcircuits. Here, the analytical results achieved with the concept of transposition converge with those resulting from my critique of methodological nationalism. Not only are countries transposed to fundamentals as the banking circuitry's differentiated sovereign bond holdings require. Moreover, the austere overdetermination of this transposition shows that supposedly national competition is itself already a transposition of integrated European economic subcircuits. Guided by the antifoundationalist emphasis on transpositions and hence not blinded by the 'brick-and-mortar' imposition of methodological nationalism or 'crisis,' my study has shown in particular that the subcircuits of the European real economy are much further united than methodologically nationalist accounting allows to see (Lazzarato 2012: 172-180; Blyth 2015: 75-78).

In chapter two, I have shown this *ex negativo* for the assumption of peripheral sovereign profligacy as a point of origin for the so-called crisis. I have shown that sovereign bond portfolio functions precede all possible governmental behavior including the oft-cited fiscal profligacy supposedly leading to unsustainable debt (Schäuble 2011). Even if accepted as point of origin of the so-called 'crisis,' fiscal profligacy would likewise not have had any effects in itself if it would not have been for the role sovereign bonds as an asset played on European bank portfolios (Mota

et al. 2015). I have shown that national fiscal solvency is a dependent variable of European secondary sovereign bond market liquidity and its entirely supranational, self-referential projection of fundamentals, which is to say, of transposed countries, as liquidity transmission belts (Gore and Roy 2012).

Thus, 'peripheral' sovereign bond interest rate mark-ups after 2009 were entirely due to liquidity drying up, which was in turn transmitted via the country-fundamental transposition to a differentiation within the asset class of Euro-denominated sovereign bonds, and hence back to self-reinforcing fiscal insolvency (Schuknecht et al. 2010; Acharya and Steffen 2013a; Belke 2012: 685). Likewise, it is only because this self-referential measurement drives down 'core' sovereign bond interest rates that Germany in particular was able to maintain what it falsely claimed was fiscal discipline (Pusch 2012: 2-6; Dany et al. 2015). Once the notion of crisis is abandoned, the subordinate role of methodological nationalism within the self-referential hedging operations of the European banking circuitry becomes evident.

With regard to Germany's rule-abiding benchmark role, chapter four points out that it depends on certain presuppositions for which methodological nationalism is entirely unprepared to account, and which it in fact actively obfuscates. To a methodologically nationalist perspective, Germany's position in the context of the so-called Eurozone crisis is characterized by low production depth, allowing it to serve as a supranationally integrated European subcircuit steering productive activities outside its own borders (Sinn 2006; Young and Semmler 2013). Moreover, Germany's success in maintaining low interest rates rests neither on its rule-abiding stance nor its real economic success, but on the effects of the differentiated liquidity-solvency conversion. Liquidity withdrawn from the primary sovereign bond markets auctioning the 'peripheral' asset class is invested, among others such as Latvia and Finland, the Netherlands and

Austria, in German sovereign bonds. Under such conditions, it is easy for Germany to be upheld as the poster child of success in maintaining its flow-stock conversion and hence its role as intra- and extra-market hedge (Cohen 2012: 694-696).

In addition, the morally overdetermined austere transposition constitutes Germany as the benchmark economy not only of the flow-stock conversion, but also of the supposed success of austere competitive disinflation, of saving, thrift and work ethic (Bastasin 2012: 154-159). By contrast, I show that Germany's benchmark role in austerity is not a result of national virtuous policies. Rather, it is a result of the more or less unaccounted factor of Germany's export production being situated within a web of non-German production. On the aggregated level, this concerns export-substitution of BRICS for European destinations; as well as migration streams headed for Germany and depressing its wage levels; which continues older neoliberal labor cost reductions effected by the integration of East Germany into the West German labor market (Bastasin 2012: 157; Kahanec and Fabo 2013; Young and Semmler 2013: 10-11). Subnationally, however, Germany's economy is not German at all, but rather an integrated European subcircuit: it consists, as I have shown, to an overwhelming extent of economic value added in hubs coordinating activities outside of (or at most traversing) German borders. Germany's ostensible economy thus exemplifies European real economic integration much more than supposedly national economic strength and moral virtue. Misunderstanding this and misunderstanding itself, Germany warrants neither its economic nor its moral benchmark role in the so-called crisis; it is overestimated and overestimates itself.

Chapter five shows that the same applies to Greece. That methodological nationalism in times of aggravated capitalist accumulation – 'times of crisis' – becomes increasingly authoritarian and fascist, technocratic and merciless, is well-known (e.g. Mandel 1978; Milios

2007). My analysis based on the concept of transposition and opposed to methodological nationalism, however, shows that Greece is overestimated both by proponents and opponents of austerity. Its economy is not the bottomless pit of sovereign profligacy and oligarchic corruption that its austere condemnation insinuates it is (Mitsopoulos and Pelagidis 2011; Herzfeld 2011). Nor, however, is Greece free from oligarchic tax evasion and rent-seeking incompetency. It is likewise not the linchpin of European anti-austerity resistance as which austerity's opponents describe it (Sakellaropoulos 2012; Zizek 2015). Sinister Germans have very little to do with its predicament (Varoufakis and Lambert 2015). Even before SYRIZA's official acceptance of severely strengthened austerity in June 2015, SYRIZA had been as much caught up in the destructive effects of Greece's austere anti-austerity nationalism as Greek conservatives and social democrats.

Greece's syntagmatic structure reacted in particularly violent, yet largely idiosyncratic ways to the austere, methodologically nationalist paradigmatic transposition of its subcircuit and sovereignty. Reminiscences of German occupation and military dictatorship led to the self-destruction of Greece's social democracy, while SYRIZA could not separate itself from the methodologically nationalist affirmation that Greece was the linchpin of resistance against austerity (Guinan 2014). The resulting anti-austerity nationalism, positing the so-called Eurozone crisis as a German-Greek standoff (or even a Schäuble-Varoufakis standoff) reinforces Greece's role for the country-fundamental transposition. Greek resistance serves to uphold the view of stubborn Greeks whose economic malaise is not only self-induced, but also typical for the 'periphery' and hence justifying the GIIPS category which, in turn, justifies the interest rate mark-up differentiation serving the European banking circuitry's carry trades.

Having argued that the German-Greek duality and its moralistic overdetermination are a

result of austerity rather than vice versa, and that neither Germany nor Greece are typical for the remainder of the GIIPS economies, the sixth chapter offered an analysis of Spain and Italy in particular. Here, I have shown that methodological nationalism constitutes supposedly national economies out of interconnected European subcircuits. First, I argue that their situations are more characteristic of economic and political continuity through 'pre-crisis,' 'crisis,' and 'post-crisis' periods than the ruptured temporality characteristic of 'crisis.' The latter, and hence the GIIPS category as a whole, are thus a dissimulation of the European banking circuitry's asset class differentiation. Germany and Greece have nothing to do with the real economies of Spain and Ireland with their private-sector credit expansions, nor Portugal with its inefficient banking sector, nor Italy whose solvency crisis in 2012 was a direct result of liquidity withdrawals even in the official narratives.

Secondly, chapter six argues that Spain's and Italy's economies are European sub-circuits rather than nationally distinct varieties of capitalism. *En route* to showing this, the chapter also examined similar anti-'crisis' continuities as well as European anti-nationalist phenomena for Portugal and Ireland, respectively. Moreover, this chapter has argued for what I have called a circuitist perspective, placing Ireland and Portugal, Spain and Italy into a context in which their real economies are shown to be not only sub-units of a European real economy, but also attachments to the European banking circuitry with whose analysis this study began. This extends to the subnational level as well. I have found that the differentiated endowments of regional fiscal funds – in Spain on the level of regional bond issuance, in Italy on the level of regionally differentiated 'competitiveness' – are as much a result of the liquidity-solvency conversion (and hence portfolio self-referentiality) discussed in chapter two of this study as the differentiated fiscal situations of 'core' and 'periphery' at the European national level.

This is not to say that such differentiated financial flows determine separatist and centralist movements. Yet, such findings constitute one more argument in favor of discussing regional fiscal competition in direct connection to European politics, bypassing the methodological nationalism contained in the austere country-fundamental transposition. This is analogous to Germany's direct connection between internal regional funding differentiation and European payment streams as well as regional specializations and global export substitutions and value-added processes. It is likewise analogous to Greece's dependency on the remainder of Europe. The European real economy does indeed exhibit a core-periphery differentiation. Yet, unlike the 'core'-periphery' differentiation engendered by banking circuitry carry trades, Europe's real economic core and periphery are not comprised of differently competitive or morally virtuous national economies.

Rather, the European real economy is differentiated in subnational core-periphery divides. In each case, the former is supranationally integrated on a European scale, while the latter depends on the multiplier effects of the former, and is therefore susceptible to the fallout of the post-2007 'bust.' Austerity, by contrast, targets only the periphery of the countries subject to it, sectorally or geographically, since only the periphery is vulnerable enough not to be able to differentiate away from austerity's pernicious effects. The resulting escalation in poverty, in turn, is once more nationally aggregated and reinforces the 'core'-periphery' distinction so profitable to the origin of the so-called Eurozone crisis, the European banking circuitry.

## References

- A'hearn, Brian and Anthony Venables (2013): "Regional Disparities: Internal Geography and External Trade," in: Gianni Toniolo (Ed): The Oxford Handbook of The Italian Economy Since Unification, Oxford: Oxford University Press, pp. 599-630.
- Abbassi, Puriya, Falk Bräuning, Falko Fecht and José-Luis Peydró (2015): "Eurozone interbank lending market during the Global and EZ crises," *VoxEU* online, 2 April 2015. <<http://www.voxeu.org/article/eurozone-interbank-lending-market-during-global-and-ez-crises>> Accessed 21 June 2015.
- Acharya, Viral and Sascha Steffen (2013a): "The 'Greatest' Carry Trade Ever? Understanding Eurozone Bank Risks," *Working Paper*, NYU Stern School of Business.
- Acharya, Viral and Sascha Steffen (2013b): "The banking crisis as a giant carry trade gone wrong," *VoxEU* online, 23 May 2013. <<http://www.voxeu.org/article/banking-crisis-giant-carry-trade-gone-wrong>> Accessed 21 August 2014.
- Afhueppe, Sven, Frank Dohmen and Konstantin von Hammerstein (2005): "EU Budget Conflict: Germany Is Tired of Footing the European Bill," *Der Spiegel* online, 26 March 2005. <<http://www.spiegel.de/international/spiegel/eu-budget-conflict-germany-is-tired-of-footing-the-european-bill-a-348546.html>> Accessed 27 October 2014.
- Ag. (2009): "Korruption und Steuerhinterziehung: Griechenland versinkt im Sumpf," *Die Presse*, 5 August 2009. <[http://diepresse.com/home/wirtschaft/international/500632/Korruption-und-Steuerhinterziehung\\_Griechenland-versinkt-im-Sumpf](http://diepresse.com/home/wirtschaft/international/500632/Korruption-und-Steuerhinterziehung_Griechenland-versinkt-im-Sumpf)> Accessed 15 April 2015.
- Aigiger, Karl, Peter Huber, Matthias Firgo (2012): "Policy options for the development of peripheral regions and countries of Europe," *European Policy Brief* No. 2, European Commission Socio-Economic Sciences and Humanities Research. <[http://www.foreurope.eu/fileadmin/documents/pdf/Policybriefs/WWWforEurope\\_PB\\_no02\\_D5\\_04.1.pdf](http://www.foreurope.eu/fileadmin/documents/pdf/Policybriefs/WWWforEurope_PB_no02_D5_04.1.pdf)> Accessed on 4 December 2015.
- Airbus Group (2014): Global Presence – At home around the world. <<http://www.airbusgroup.com/int/en/group-vision/global-presence.html>> Accessed 3 November 2014.
- Alcidi, Ginzia and Daniel Gros (2012): "The Spanish hangover," *VoxEU* online, 15 April 2012. <<http://www.voxeu.org/article/whats-wrong-spain>> Accessed 21 June 2015.
- Alderman, Liz (2015): "Explaining the Greek Debt Crisis," *The New York Times* online, 8 April 2015. <<http://www.nytimes.com/2015/04/09/business/international/explaining-the-greek-debt-crisis.html>> Accessed on 16 April 2015.
- Alkis (2010): "December is a result of social and political processes going back many years, Part I," in: A. G. Schwarz, Tasos Sagris, and Void Network (Eds.): We are an image from the future: the Greek revolt of December 2008, Oakland: Oakland: AK Press, pp. 8-13.
- Allen, Katie (2010): "Debt crisis: is the UK really at risk of being downgraded?" *The Observer* online, May 1, 2010 <<http://www.theguardian.com/business/2010/may/01/debt-crisis-uk-downgrade>> Retrieved January 17, 2014.
- Althusser, Louis (1969): For Marx, London: Penguin Books.
- Anarchist Black Cross (2010): "To Those Who Rise Up in Greece," in: A. G. Schwarz, Tasos Sagris, and Void Network (Eds.): We are an image from the future: the Greek revolt of December

2008, Oakland: AK Press, p. 196.

Andreas (2010): “We started with 300 people, and came back with 500,” in: A. G. Schwarz, Tasos Sagris, and Void Network (Eds.): We are an image from the future: the Greek revolt of December 2008, Oakland: AK Press, pp. 108-110.

Annesley, Claire (2004): Postindustrial Germany: services, technological transformation and knowledge in unified Germany, Manchester: Manchester University Press.

Anonymous and Occupied London Collective (2010): “An employee of the burnt bank speaks out on tonight's tragic deaths in Athens – please spread,” Occupied London (tr.), 5 May 2010. <<http://blog.occupiedlondon.org/2010/05/05/an-employee-of-marfin-bank-speaks-on-tonights-tragic-deaths-in-athens/>> Accessed on 8 December 2012.

Ansell, Ben (2012): “Crisis as Political Opportunity? Partisan Politics, Housing Cycles, and the Credit Crisis,” in: Nancy Bermeo and Jonas Pontusson (Eds.): Coping with Crisis. Government Reactions to the Great Recession, Washington, DC: Russell Sage Foundation, pp. 327-360.

Arestis, Philip and Malcolm Sawyer (2013): “Moving to a United States of Europe?”, *Challenge*, 56 (3), pp. 42-53.

Armitage, Jim and Ben Chu (2015): “Greek debt crisis: Goldman Sachs could be sued for helping hide debts when it joined euro,” *The Independent* online, 10 July 2015. <<http://www.independent.co.uk/news/world/europe/greek-debt-crisis-goldman-sachs-could-be-sued-for-helping-country-hide-debts-when-it-joined-euro-10381926.html>> Accessed 30 January 2016.

Ashbee, Edward (2011): “Fiscal Policy Responses to the Economic Crisis in the UK and the US,” in: Terrence Casey (Ed.): The Legacy of the Crash, London: Palgrave Macmillan, pp. 79-98.

Baboulias, Yiannis (2014): “Luxembourg's secret tax deals exacerbate eurozone crisis,” *Aljazeera America*, 7 December 2014. <<http://america.aljazeera.com/opinions/2014/12/luxleaks-eurozonecrisisluxembourgjeanclaudejuncker.html>> Accessed on 5 December 2015.

Baldwin, Richard and Francesco Giavazzi (2015): “The Eurozone crisis: A consensus view of the causes and a few possible solutions,” *VoxEU* online, 7 September 2015. <<http://www.voxeu.org/article/eurozone-crisis-consensus-view-causes-and-few-possible-solutions>> Accessed 16 January 2016.

Balezdrova, Anastasia (2012): “Independent Greeks respond to the scenarios for the collapse of the party with a founding congress,” *GR Reporter – News from Greece*, 21 December 2012. <[http://www.grreporter.info/en/independent\\_greeks\\_respond\\_scenariosCollapse\\_party\\_founding\\_congress/8461](http://www.grreporter.info/en/independent_greeks_respond_scenariosCollapse_party_founding_congress/8461)> Accessed on 16 February 2015.

Bank of Greece (2007): Annual Report 2006, Athens: Bank of Greece Publication.

Bank of Portugal (2010a): “Bank Lending Survey – April 2010.” <[https://www.bportugal.pt/en-US/EstudosEconomicos/Publicacoes/IBMC/Publications/Results\\_abr10\\_e.pdf](https://www.bportugal.pt/en-US/EstudosEconomicos/Publicacoes/IBMC/Publications/Results_abr10_e.pdf)> Accessed 21 June 2015.

Bank of Portugal (2010b): “Bank Lending Survey – October 2010.” <[https://www.bportugal.pt/en-US/EstudosEconomicos/Publicacoes/IBMC/Publications/Results\\_oct10\\_e.pdf](https://www.bportugal.pt/en-US/EstudosEconomicos/Publicacoes/IBMC/Publications/Results_oct10_e.pdf)> Accessed 21 June 2015.

US/EstudosEconomicos/Publicacoes/IBMC/Publications/Results\_out10\_e.pdf> Accessed 21 June 2015.

Barnes, Graham (2013): “The Financier – Europe’s varying real estate wares are on international capital’s shopping list again...,” *An Economist and a Financier Blog*, 9 October 2013. <<http://aneconomistandafinancier.blogspot.com/2013/10/the-financier-europes-varying-real.html>> Accessed 24 November 2014.

Barthes, Roland (1968): Elements of Semiology, New York: Hill and Wang Publishing.

Barroso, José Manuel and Herman Van Rompuy (2011): “Joint letter of European Commission President José Manuel Barroso and European Council President Herman Van Rompuy to their G20 partners ahead of the G20 Summit in Cannes (France), 3-4 November 2011,” *Press Release, European Commission MEMO/11/750*. <[http://europa.eu/rapid/press-release\\_MEMO-11-750\\_en.htm?locale=en](http://europa.eu/rapid/press-release_MEMO-11-750_en.htm?locale=en)> Accessed 17 August 2014.

Basta, Karlo (2012): “Fiscal Crisis and the Balkanization of Spain: Which Way Forward?” *LSE Ideas Blog*, 25 September 2012. <<http://blogs.lse.ac.uk/ideas/2012/09/fiscal-crisis-and-the-balkanization-of-spain-which-way-forward/>> Accessed 21 June 2015.

Bastasin, Carlo (2012): Saving Europe. How National Politics Nearly Destroyed the Euro, Washington, DC: Brookings Press.

Baudelle, Guy and Catherine Guy (2003): “The peripheral areas of Western Europe and EU regional policy: prospective scenarios,” *Working Paper*. <[http://michau.nazwa.pl/aska/uploads/Students/guy\\_guy.pdf](http://michau.nazwa.pl/aska/uploads/Students/guy_guy.pdf)> Accessed on 4 December 2015.

Baudrillard, Jean (1977): “La Lutte enchantée ou la flute finale,” *Utopie*, 16, pp. 6-9.

Baudrillard, Jean (2013): “Global Debt and Parallel Universe,” originally in *Libération*. <<http://www.egs.edu/faculty/jean-baudrillard/articles/global-debt-and-parallel-universe/>> Accessed on 6 October 2013.

Bavarian Ministry of Economic Affairs and Media, Energy and Technology (2014): Bayerns Wirtschaft: leistungsstark – innovativ – zukunftsähig, *Economic Development in State-by-state comparison*. <[http://www.stmwi.bayern.de/fileadmin/user\\_upload/stmwivt/Publikationen/2014/Bayerns\\_Wirtschaft\\_leistungsstark-innovativ-zukunftsfaehig\\_2014.pdf](http://www.stmwi.bayern.de/fileadmin/user_upload/stmwivt/Publikationen/2014/Bayerns_Wirtschaft_leistungsstark-innovativ-zukunftsfaehig_2014.pdf)> Accessed 2 November 2014.

BBC (2012): “Golden Dawn nationalists hand out ‘Greeks only’ food,” *BBC News Europe*, 1 August 2012. <<http://www.bbc.com/news/world-europe-19084584>> Accessed 11 February 2015.

BBC (2014): “Greece crisis: Germany’s Schaeuble warms over reform,” *BBC News*, 30 December 2014. <<http://www.bbc.com/news/world-europe-30629269>> Accessed 14 April 2015.

BBC (2015a): “Greece bailout ‘troika’ may go – European Commission,” *BBC News Europe*, 2 February 2015. <<http://www.bbc.com/news/world-europe-31098367>> Accessed 16 April 2015.

BBC (2015b): “Greece: Greenspan predicts exit from euro inevitable,” *BBC News Business*, 8 February 2015. <<http://www.bbc.com/news/business-31249907>> Accessed on 11 February 2015.

BDA (2009): “Arbeitgeberpräsident Dr. Dieter Hundt: Euro-Einführung eine der wichtigsten Entscheidungen,” *BDA Press Release No. 007/2009*. <[http://www.arbeitgeber.de/www/arbeitgeber.nsf/res/PI00109.pdf\\$file/PI00109.pdf](http://www.arbeitgeber.de/www/arbeitgeber.nsf/res/PI00109.pdf$file/PI00109.pdf)> Accessed 19 January 2015.

- Beck, Ulrich and Natan Sznaider (2006): “Unpacking cosmopolitanism for the social sciences: a research agenda,” *The British Journal of Sociology*, 57 (1), pp. 1-23.
- Becker, Uwe (2009): Open Varieties of Capitalism. Continuity, Change and Performances, London: Palgrave Macmillan.
- Beeton, Dan (2013): “Give me Liberty or Give me Debt!” *Third World Quarterly*, 34 (8), pp. 1499-1501.
- Belke, Ansgar (2011): “The Euro Area Crisis Management Framework: Consequences for Convergence and Institutional Follow-ups,” *Journal of Economic Integration*, 26 (4), pp. 672-704.
- Bellon, Tina (2016): “Greek ex-finance minister Varoufakis launches democracy movement,” *Reuters* online, 9 February 2016. <<http://www.reuters.com/article/us-europe-varoufakis-idUSKCN0VI1JS>> Accessed 9 March 2016.
- Bennhold, Katrin (2008): “German Stimulus Plan Includes Tax Breaks on Cars,” *The New York Times* online, 5 November 2008.  
<[http://www.nytimes.com/2008/11/06/business/worldbusiness/06stimulus.html?\\_r=0](http://www.nytimes.com/2008/11/06/business/worldbusiness/06stimulus.html?_r=0)> Accessed 15 January 2015.
- Berardi, Franco (2012): The Uprising. On Poetry and Finance, Los Angeles: Semiotext(e).
- Berend, Ivan (2013): Europe in Crisis – Bolt from the Blue? New York: Routledge Publishing.
- Berezin, Mabel (2013): “The Normalization of the Right in Post-Security Europe,” in: Armin Schäfer and Wolfgang Streeck (Eds.): Politics in the Age of Austerity, Cambridge: Polity Press, pp. 239-261.
- Bernanke, Ben (2012): “Some Reflections on the Crisis and the Policy Responses,” in: Alan Blinder, Andrew Lo, and Robert Solow (Eds.): Rethinking the Financial Crisis, New York and Washington, DC: Russell Sage Foundation and The Century Foundation, pp. 3-13.
- Bertoni, Fabio, Matteo Richiardi, Stefano Sacchi (2012): The political economy of work security and flexibility. Italy in comparative perspective, Bristol: Policy Press.
- Biewen, Martin (2001): “Measuring the Effects of Socio-Economic Variables on the Income Distribution: An Application to the East German Transition Process,” *The Review of Economics and Statistics*, 83 (1), pp. 185-190.
- Bildt, Carl (2015): “Syriza in Greece has won the election by promising that taxpayers in other Euro countries will pay even more to them. Rather daring.” Tweet (carlbildt), 25 January 2015, 10.11 am. <<https://twitter.com/carlbildt/status/559413215646728192>> Accessed on 14 April 2015.
- Bilefsky, Dan (2010): “Three Reported Killed in Greek Protests,” *The New York Times* online, 5 May 2010. <[http://www.nytimes.com/2010/05/06/world/europe/06greece.html?src=me&\\_r=1&](http://www.nytimes.com/2010/05/06/world/europe/06greece.html?src=me&_r=1&)> Accessed on 15 February 2015.
- BIS (2013): “Treatment of sovereign risk in the Basel capital framework,” BIS Quarterly Review, 8 December 2013. <[http://www.bis.org/publ/qtrpdf/r\\_qt1312v.htm](http://www.bis.org/publ/qtrpdf/r_qt1312v.htm)> Accessed 14 August 2014.
- BIS (2014): “Consolidated foreign claims and other potential exposures – ultimate risk

basis,” March 2014. <[http://www.bis.org/statistics/r\\_qa1409\\_hanx9e\\_u.pdf](http://www.bis.org/statistics/r_qa1409_hanx9e_u.pdf)> Accessed 14 August 2014.

Blair, David (2012): “A country in decay: Greece's youth pay bitter price for the wisdom of their elders,” *The Telegraph* online, 21 February 2012. <<http://www.telegraph.co.uk/news/worldnews/europe/greece/9094463/A-country-in-decay-Greeces-youth-pay-bitter-price-for-the-wisdom-of-their-elders.html>> Accessed 17 January 2015.

Blankenburg, Stephanie, Lawrence King, Sue Konzelmann and Frank Wilkinson (2013): “Prospects for the Eurozone,” *Cambridge Journal of Economics*, 2013 (37), pp. 463-477.

Blockupy (2015): “Left-wing government with a shot of right-wing populism? A few preliminary evaluations,” *Blockupy goes Athens* blog, 26 January 2015. <<http://blockupy-goes-athens.tumblr.com/post/109231505540/left-wing-government-with-a-shot-of-right-wing>> Accessed 16 April 2015.

Bloomberg (2014a): “Italy Generic Govt 10Y Yield,” 2014 (GBTPGR10:IND). <<http://www.bloomberg.com/quote/GBTPGR10:IND/chart>> Accessed 14 August 2014.

Bloomberg (2014b): “Germany Generic Govt 10Y Yield,” 2014 (GDBR10:IND). <<http://www.bloomberg.com/quote/GDBR10:IND/chart>> Accessed 14 August 2014.

Bloomberg (2014c): “Greece Govt 10 Year Acting as Benchmark,” 2014 (GGGB10YR:IND). <<http://www.bloomberg.com/quote/GGGB10YR:IND/chart>> Accessed 14 August 2014.

Blyth, Mark (2015): Austerity. The History of a Dangerous Idea, Oxford: Oxford University Press.

BMW Group (2013): Working Together – Sustainable Value Report 2013. <[http://www.bmwgroup.com/com/en/\\_common/\\_pdf/BMW\\_Group\\_SVR2013\\_EN.pdf](http://www.bmwgroup.com/com/en/_common/_pdf/BMW_Group_SVR2013_EN.pdf)> Accessed 3 November 2014.

Bofinger, Peter, Jürgen Habermas and Julian Nida-Rümelin: “Kurswechsel für Europa: Einspruch gegen die Fassadendemokratie,” *Frankfurter Allgemeine Zeitung* online, 3 August 2012. <[http://www.faz.net/aktuell/feuilleton/debatten/europas-zukunft/kurswechsel-fuer-europa-einspruch-gegen-die-fassadendemokratie-11842820.html?printPagedArticle=true#pageIndex\\_2](http://www.faz.net/aktuell/feuilleton/debatten/europas-zukunft/kurswechsel-fuer-europa-einspruch-gegen-die-fassadendemokratie-11842820.html?printPagedArticle=true#pageIndex_2)> Accessed on 14 April 2015.

Böhmler, Rudolf (2007): '50 Jahre Deutsche Bundesbank', Speech in Leipzig on 5 September 2007, *Deutsche Bundesbank Press Release*. <[https://www.bundesbank.de/Redaktion/DE/Downloads/Presse/Reden/2007/2007\\_09\\_05\\_boehmler\\_50-jahre-deutsche-bundesbank.pdf?\\_\\_blob=publicationFile](https://www.bundesbank.de/Redaktion/DE/Downloads/Presse/Reden/2007/2007_09_05_boehmler_50-jahre-deutsche-bundesbank.pdf?__blob=publicationFile)> Accessed 6 July 2015.

Böll, Sven, Dietmar Hawranek, Martin Hesse, Alexander Jung, Alexander Neubacher, Christian Reiermann, Michael Sauga, Christoph Schult, and Anne Seith (2012): “Imagining the Unthinkable: 'Consequences of Disaster Would Spread Like a Tidal Wave',” *Der Spiegel* online, 25 June 2012. <<http://www.spiegel.de/international/europe/fears-grow-of-consequences-of-potential-euro-collapse-a-840634-3.html>> Accessed 19 September 2014.

Botta, Alberto (2013): “Fiscal policy, Eurobonds, and economic recovery: heterodox policy recipes against financial instability and sovereign debt crisis,” *Journal of Post Keynesian Economics*, 35 (3), pp. 417-441.

Boukalas, Christos (2011): “No one is revolutionary until the revolution! A long, hard

reflection on Athenian anarchy through the prism of a burning bank," in: Antonis Vradis and Dimitris Dalakoglou (Eds.): Revolt and Crisis in Greece. Between a Present Yet to Pass and a Future Still To Come, Oakland: AK Press and Occupied London, pp. 279-298.

Bouras, Stelios (2015): "Alexis Tsipras Clinging to Power as Syriza Rebellion Gathers Pace," *The Wall Street Journal* online, 16 July 2015. <<http://www.wsj.com/articles/alexis-tsipras-clinging-to-power-as-syriza-rebellion-gathers-pace-1437065102>> Accessed 16 September 2015.

Brabant, Malcolm (2010): "Three dead as Greece protest turns violent," *BBC News* online, 5 May 2010. <<http://news.bbc.co.uk/2/hi/8661385.stm>> Accessed 16 February 2015.

Brunsdon, Jim (2015): "Banks fume at EU move to strengthen break-up powers," *Financial Times* online, 29 October 2015. <<http://www.ft.com/cms/s/0/06d6f790-7e53-11e5-a1fe-567b37f80b64.html>> Accessed 21 December 2015.

Buell, Todd (2014): "Geopolitical Turmoil Takes Toll on German Business Outlook," *The Wall Street Journal* online, July 25, 2014 <[http://online.wsj.com/articles/euro-zone-private-sector-lending-improves-slightly-in-june-1406278461?mod=europe\\_home](http://online.wsj.com/articles/euro-zone-private-sector-lending-improves-slightly-in-june-1406278461?mod=europe_home)> Retrieved July 27, 2014.

Buergin, Rainer, Marcus Bensasson and Eleni Chrepa (2015): "Schaeuble Shrugs Off Greek Vote Saying Euro Exit Is Best," *Bloomberg* online, 16 July 2015.  
<<http://www.bloomberg.com/news/articles/2015-07-16/schaeuble-shrugs-off-greek-vote-saying-euro-exit-is-best>> Accessed 22 December 2015.

Bundesagentur für Arbeit (2014): "Statistik nach Regionen – Baden-Württemberg – Dezember 2012," 2014 Data.  
<[http://statistik.arbeitsagentur.de/nn\\_30634/SiteGlobals/Forms/ImageMapSchnelluebersichten/ZeitauswahlSchnelluebersicht-Form.html?view=processForm&resourceId=210328&input\\_=&pageLocale=de&regionInd=08&year\\_month=201212&year\\_month.GROUP=1&search=Suchen](http://statistik.arbeitsagentur.de/nn_30634/SiteGlobals/Forms/ImageMapSchnelluebersichten/ZeitauswahlSchnelluebersicht-Form.html?view=processForm&resourceId=210328&input_=&pageLocale=de&regionInd=08&year_month=201212&year_month.GROUP=1&search=Suchen)> Accessed 2 November 2014.

Bundesregierung (2007): "Schwerpunkt – Deutscher Aussenhandel erreicht Rekordmarke," *Press Release*.  
<<http://www.bundesregierung.de/Content/DE/Magazine/MagazinWirtschaftFinanzen/059/s-2-deutsches-aussenhandelssaldo-erreicht-rekordmarke.html>> Accessed 5 December 2015.

Butler, Judith and Athena Athanasiou (2013): Dispossession: the Performative in the Political, Cambridge: Polity Press.

Büttner, Ursula (2008): Weimar. Die überforderte Republik 1918-1933, Bonn: Bundeszentrale für Politische Bildung.

Callaghan, Helen and Masanobu Ido (2012): "Introduction: varieties of capitalism, types of democracy, and globalization," in: Masanobu Ido (ed): Varieties of Capitalism, Types of Democracy and Globalization, New York: Routledge Publishing, pp. 3-16.

Castells, Manuel (2010): The Rise of the Network Society, Malden: Wiley-Blackwell.

Catan, Thomas and Jonathan House (2010): "Spain Says Its Regions Are Financially Sound," *The Wall Street Journal* online, 21 December 2010.  
<<http://www.wsj.com/articles/SB10001424052748704610904576031721886923728>> Accessed 30 January 2016.

Chapple, Irene: "'Sacrificed for a future that never came': Family tragedy tells the story of

Greece,” CNN online, 13 June 2012. <<http://www.cnn.com/2012/05/02/world/europe/greece-papathanasopoulou-family/>> Accessed 15 February 2015.

Christofer, Kat (2010): “Greece is reaping what it has sown,” *The Guardian* online, 5 March 2010. <<http://www.theguardian.com/commentisfree/2010/mar/05/greece-reaps-what-has-sown>> Accessed 30 September 2014.

CIA (2015): CIA World Factbook. <<https://www.cia.gov/library/publications/the-world-factbook/fields/2012.html>> Acessed 21 June 2015.

Claessens, Stijn, Giovanni Dell'Ariccia, Deniz Igan and Luc Laeven (2010): “Cross-country experiences and policy implications from the global financial crisis,” *Economic Policy*, 25 (62), pp. 267-293.

Coeuré, Benoît (2013): “Outright Monetary Transactions, one year on,” Speech at the conference “The ECB and its OMT programme,” 2 September 2013.  
<<http://www.ecb.europa.eu/press/key/date/2013/html/sp130902.en.html>> Accessed 10 July 2014.

Cohen, Benjamin (2012): “The future of the euro: Let's get real,” *Review of International Political Economy*, 19(4), pp. 689-700.

Colino, César and Eloísa del Pino (2013): “Spanish Federalism in Crisis,” in: Paul Peterson and Daniel Nadler (Eds): The Global Debt Crisis: Haunting U.S. and European Federalism, Washington, DC: Brookings Press, pp. 159-178.

Comfort, Nicholas, Macarena Munoz and Jeffrey Vögeli (2015): “Best Profit Since 2011 Signals Europe's Banks Turning Corner,” *Bloomberg Business* online, 5 August 2015.  
<<http://www.bloomberg.com/news/articles/2015-08-05/european-bank-profit-rebound-signals-revamps-starting-to-pay-off>> Accessed 15 January 2016.

Considine, Mairéad and Fiona Dukelow (2011): “Ireland and the impact of the economic crisis: upholding the dominant policy paradigm,” in: Kevin Farnsworth and Zoe Irving (Eds): Social Policy in Challenging Times. Economic crisis and welfare systems, Bristol: Policy Press 2011, pp. 181-198.

Coppola, Frances (2014): “Banco Espírito Santo: A Portuguese Disaster, Not A European Crisis,” *Forbes* online, 11 July 2014.  
<<http://www.forbes.com/sites/francescoppola/2014/07/11/banco-espirito-santo-a-portuguese-disaster-not-a-european-crisis/>> Accessed 17 July 2014.

Crosgnani, Matteo, Miguel Faria-e-Castro and Luis Fonseca (2015): “The Portuguese Banking System During the Sovereign Debt Crisis,” *Banco de Portugal Research Publication*.  
<[www.bportugal.pt/en-US/BdP Publications Research/RE201506.pdf](http://www.bportugal.pt/en-US/BdP Publications Research/RE201506.pdf)> Accessed 12 October 2015.

Dabilis, Yanis (2013): “Venizelos stands firm as PASOK MPs question party's direction, prospects,” *eKathimerini*, 23 December 2013.  
<[http://www.ekathimerini.com/4dcgi/\\_w\\_articles\\_wsite1\\_1\\_23/12/2013\\_533461](http://www.ekathimerini.com/4dcgi/_w_articles_wsite1_1_23/12/2013_533461)> Accessed 15 April 2015.

Daianu, Daniel (2012): “Euro zone crisis and EU governance: Tackling a flawed design and inadequate policy arrangements,” *Acta Oeconomica*, 62 (3), pp. 295-319.

Dalakoglou, Dimitris (2013): “Neo-Nazism and Neoliberalism: A few comments on violence in Athens at the time of crisis,” *WorkingUSA: The Journal of Labor and Society*, 16, pp. 283-292.

Damaschke, Sabine (2014): "Dismantling the German myth of 'Trümmerfrauen,'" *Deutsche Welle*, 24 November 2014. <<http://www.dw.com/en/dismantling-the-german-myth-of-tr%C3%BCmmerfrauen/a-18083725>> Accessed 30 January 2016.

Dany, Geraldine, Reint Gropp and Gregor von Schweinitz (2015): Germany's Benefit From the Greek Crisis, *IWH Online 7/2015*, Leibniz-Institut für Wirtschaftsforschung Halle, 10 August 2015. <[http://www.iwh-halle.de/d/publik/iwhonline/io\\_2015-07.pdf](http://www.iwh-halle.de/d/publik/iwhonline/io_2015-07.pdf)> Accessed 10 August 2015.

Davenport, Claire (2013): "Austerity's children becoming Europe's 'lost generation,'" *Reuters* online, 14 February 2013. <<http://www.reuters.com/article/2013/02/14/us-eu-poverty-idUSBRE91D0EO20130214>> Accessed 15 April 2015.

Davis, Belinda (2000): Home Fries Burning. Food, Politics, and Everyday Life in World War I Berlin, Chapel Hill: The University of North Carolina Press.

Day, Michael (2012): "Anyone but Silvio Berlusconi: Italy begs unelected Mario Monti to stay," *The Independent* online, 2 October 2012.

<<http://www.independent.co.uk/news/world/europe/anyone-but-silvio-berlusconi-italy-begs-unelected-mario-monti-to-stay-8193199.html>> Accessed 21 June 2015.

de Carreras, Francesc (2012): "The economics of Catalan independence don't add up," *The Guardian* online, 22 November 2012.

<<http://www.theguardian.com/commentisfree/2012/nov/22/economics-catalan-independence-dont-add-up>> Accessed 30 January 2016.

de Goede, Marike (2005): Virtue, Fortune, and Faith. A Genealogy of Finance, Minneapolis: University of Minnesota Press.

De Grauwe, Paul and Yuemei Ji (2013): "Panic-driven austerity in the Eurozone and its implications," *VoxEU online*, 21 February 2013. <<http://www.voxeu.org/article/panic-driven-austerity-eurozone-and-its-implications>> Accessed 10 July 2014.

de Verges, Marie (2013): "Germany welcomes southern Europe's best and brightest into its workforce," *The Guardian* online, 9 April 2013.

<<http://www.theguardian.com/world/2013/apr/09/greek-migrants-germany-frankfurt-jobs>> Accessed 16 April 2015.

Decressin, Joerg, Allan Brunner, Benedikt Braumann and Louis Kuijs (2004): "Germany. Selected Issues," *International Monetary Fund Country Report*, 04/340, pp. 92-102.

Deeg, Richard (2005): "The Comeback of Modell Deutschland? The New German Political Economy in the EU," *German Politics*, 14 (3), pp. 332-353.

Deleplace, Ghislain and Edward Nell (1996): "Introduction: Monetary Circulation and Effective Demand," in: idem. (Eds.): Money in Motion, New York: St. Martin's Press, pp. 3-41.

Demopoulos, George and Nicholas Yannacopoulos (2012): "The Myth of Expansionary Austerity," *Athens University of Economics and Business Working Paper* No. 09-2012. <<http://www.econ.aueb.gr/uploadfiles/AllRP092012.pdf>> Accessed 15 January 2015.

Destatis (2014a): "The main German export product: motor vehicles." <<https://www.destatis.de/EN/FactsFigures/NationalEconomyEnvironment/ForeignTrade/TradingGoods/Current.html>> Accessed 26 October 2014.

Destatis (2014b): "Foreign Trade," Data set lrah11. <<https://www.destatis.de/EN/FactsFigures/Indicators/LongTermSeries/ForeignTrade/lrah101.html>>

> Accessed 28 October 2014.

Destatis (2014c): “Germany's most important trading partners 2013.”  
<<https://www.destatis.de/EN/FactsFigures/NationalEconomyEnvironment/ForeignTrade/TradingPartners/Current.html>> Accessed 26 October 2014.

Destatis (2014d): “Deutsche Ausfuhren im Jahr 2013: – 0,2 per cent zum Jahr 2012,” Press Release.  
<[https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2014/02/PD14\\_040\\_51.html](https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2014/02/PD14_040_51.html)> Accessed 26 October 2014.

Destatis (2014e): “Ranking of Germany's trading partners in foreign trade.”  
<[https://www.destatis.de/EN/FactsFigures/NationalEconomyEnvironment/ForeignTrade/TradingPartners/Tables/OrderRankGermanyTradingPartners.pdf?\\_\\_blob=publicationFile](https://www.destatis.de/EN/FactsFigures/NationalEconomyEnvironment/ForeignTrade/TradingPartners/Tables/OrderRankGermanyTradingPartners.pdf?__blob=publicationFile)> Accessed 26 October 2014.

Destatis (2014f): “Germany's foreign trade 2013: export -0.2 per cent; import -0.9 per cent.”  
<<https://www.destatis.de/EN/FactsFigures/NationalEconomyEnvironment/ForeignTrade/OverallDevelopment/Current.html>> Accessed 2 November 2014.

Detjen, Joachim (2009): Verfassungswerte, Bonn: Bundeszentrale für politische Bildung.

Dettmer, Markus and Jan Puhl: “About Time: Germany Finally Opens Labor Market to Eastern Workers,” *Der Spiegel International* online, 28 April 2011.  
<[www.spiegel.de/international/europe/about-time-germany-finally-opens-labor-market-to-eastern-workers-a-759325.html](http://www.spiegel.de/international/europe/about-time-germany-finally-opens-labor-market-to-eastern-workers-a-759325.html)> Accessed 2 November 2014.

Deutsche Bundesbank (1998): “Opinion of the Central Bank Council concerning convergence in the European Union in view of Stage Three of economic and monetary union,” *Monthly Report*, 50 (4), April 1998, pp. 17-39.

Deutsche Bundesbank (1999): “Launching the economic and monetary union on January 1, 1999,” *Monthly Report*, 51 (1), January 1999, pp. 19-30.

Deutsche Bundesbank (2013): “Vermögen und Finanzen privater Haushalte in Deutschland: Ergebnisse der Bundesbankstudie,” *Monatsbericht*, 65 (6), June 2013, pp. 25-52.

Deutsche Bundesbank (2014b): “Zeitreihe BBNZ1.A.DE.N.G.0327.A: Deutschland / Konto der privaten Haushalte / Sparquote,” 2014 (BBNZ1.A.DE.N.G.0327.A).  
<[http://www.bundesbank.de/Navigation/DE/Statistiken/Zeitreihen\\_Datenbanken/Makrooekonomische\\_Zeitreihen/its\\_details\\_value\\_node.html?tsId=BBNZ1.A.DE.N.G.0327.A](http://www.bundesbank.de/Navigation/DE/Statistiken/Zeitreihen_Datenbanken/Makrooekonomische_Zeitreihen/its_details_value_node.html?tsId=BBNZ1.A.DE.N.G.0327.A)> Accessed 11 September 2014.

Deutsche Telekom (2014a): “Aktionärsstruktur,” 30 September 2014.  
<<http://www.telekom.com/aktionersstruktur>> Accessed 2 November 2014.

Deutsche Telekom (2014b): “Annual Report 2013 – Key Data of the Group.”  
<<http://www.annualreport.telekom.com/site0413/en/kf/key-data-of-the-group/index.php>> Accessed 2 November 2014.

di Nino, Virginia, Barry Eichengreen, Massimo Sbracia: “Real Exchange Rates, Trade, and Growth,” in: Gianni Toniolo (Ed): The Oxford Handbook of The Italian Economy Since Unification, Oxford: Oxford University Press, pp. 351-377.

Dinmore, Guy (2012): "Rome places spending controls on Sicily," *Financial Times* online, 24 July 2012. <<http://www.ft.com/intl/cms/s/efc8786e-d59d-11e1-a5f3-00144feabdc0>> Accessed

19 June 2015.

Donadio, Rachel and Niki Kitsantonis (2011): "Greek Leader Calls Off Referendum on Bailout Plan," *The New York Times* online, November 3, 2011  
<<http://www.nytimes.com/2011/11/04/world/europe/greek-leaders-split-on-euro-referendum.html>> Retrieved January 22, 2014.

Donadio, Rachel and Niki Kitsantonis (2012): "As reforms flag in Greece, Europe aims to limit damage," *The New York Times* online, 15 January 2012.  
<<http://www.wsj.com/articles/SB10001424052702304096104579239841866821608>> Accessed 11 February 2015.

Douzinas, Costas (2013): Philosophy and Resistance in the Crisis, Cambridge: Polity Press.

Draghi, Mario (2012): "Verbatim of the remarks made by Mario Draghi," Speech at the Global Investment Conference, London, 26 July 2012.  
<<http://www.ecb.europa.eu/press/key/date/2012/html/sp120726.en.html>> Accessed 10 July 2014.

Draghi, Mario (2014): "Recovery and Reform in the euro area. Opening remarks by Mario Draghi, President of the ECB," at the Brookings Institution, Washington, 9 October 2014. ECB Press Release. <<http://www.ecb.europa.eu/press/key/date/2014/html/sp141009.en.html>> Accessed 24 November 2014.

Dunkley, Jamie: "Debt crisis: Mario Draghi pledges to do 'whatever it takes' to save euro," *The Telegraph* online, 26 July 2012.  
<<http://www.telegraph.co.uk/finance/financialcrisis/9428894/Debt-crisis-Mario-Draghi-pledges-to-do-whatever-it-takes-to-save-euro.html>> Accessed 10 July 2014.

Dustmann, Christian, Fernd Fitzenberger, Uta Schönberg, and Alexandra Spitz-Oener (2014): "From Sick Man of Europe to Economic Superstar: Germany's Resurgent Economy," *Journal of Economic Perspectives*, 28 (1), pp. 167-188.

Dymski, Gary (2006): "Banking and Financial Crises," in: Philip Arestis, Malcom Sawyer (Eds.): A Handbook of Alternative Monetary Economics, Cheltenham: Edward Elgar Publishing, pp. 385-402.

Eaton, Jonathan (1993): "Sovereign Debt: A Primer," *The World Bank Economic Review*, 7 (2), pp. 137-172.

EBA (2011): "Results of the 2011 EU-wide stress test," *Press Release*, 15 July 2011.  
<<http://www.eba.europa.eu/documents/10180/15935/2011+EU-wide+stress+test+results+-+press+release+-+FINAL.pdf/b8211d3b-562e-40d4-80f8-0b5736c20345>> Accessed 17 August 2014.

EBA (2012): "EBA publishes final report on the recapitalisation of European banks and paves the way for the transition to the CRDIV framework," *Press Release*, 3 October 2012.  
<<http://www.eba.europa.eu/documents/10180/15971/PressReleaseRecapitalisationExercise.pdf/0d5001c3-9794-42b4-880b-122f9461b344>> Accessed 14 August 2014.

ECB (2010a): "ECB decides on measures to address severe tensions in financial markets," *Press Release*, 10 May 2010.  
<<http://www.ecb.europa.eu/press/pr/date/2010/html/pr100510.en.html>> Accessed 10 July 2014.

ECB (2010b): "Decision of the European Central Bank of 14 May 2010 establishing a Securities Markets Programme," ECB/2010/5, *Official Journal of the European Union*

2010/281/EU.

- ECB (2011): Monthly Bulletin, March 2011.  
<<https://www.ecb.europa.eu/pub/pdf/mobu/mb201103en.pdf>> Accessed 14 August 2014.
- ECB (2012): “Technical Features of Outright Monetary Transactions,” *Press Release*, 6 September 2012. <[http://www.ecb.europa.eu/press/pr/date/2012/html/pr120906\\_1.en.html](http://www.ecb.europa.eu/press/pr/date/2012/html/pr120906_1.en.html)> Accessed 10 July 2014.
- ECB (2013): Banking Structures Report, November 2013. <<http://www.ecb.europa.eu/pub/pdf/other/bankingstructuresreport201311en.pdf>> Accessed 10 July 2014.
- ECB (2014a): “Euro area (changing composition), Outstanding amounts at the end of the period (stocks), MFIs excluding ESCB reporting sector – Loans, ECB estimate based on national contributions, Total maturity, All currencies combined – Euro area (changing composition) counterpart, Non-financial corporations (S.11), of which industry activities i.e manufacturing sector, denominated in Euro,” *ECB Statistical Warehouse*, Data Set  
BSI.Q.U2.N.A.A20EST.A.1.U2.2240C.Z01.E. <[http://sdw.ecb.europa.eu/quickview.do?SERIES\\_KEY=117.BSI.Q.U2.N.A.A20EST.A.1.U2.2240C.Z01.E](http://sdw.ecb.europa.eu/quickview.do?SERIES_KEY=117.BSI.Q.U2.N.A.A20EST.A.1.U2.2240C.Z01.E)> Accessed 20 August 2014.
- ECB (2014b): “Euro area (changing composition), Outstanding amounts at the end of the period (stocks), MFIs excluding ESCB reporting sector - Loans, ECB estimate based on national contributions, Total maturity, All currencies combined - Euro area (changing composition) counterpart, Non-financial corporations (S.11), of which industry activities i.e. construction sector, denominated in Euro,” *ECB Statistical Warehouse*, Data Set  
BSI.Q.U2.N.A.A20EST.A.1.U2.2240F.Z01.E. <[http://sdw.ecb.europa.eu/quickview.do?SERIES\\_KEY=117.BSI.Q.U2.N.A.A20EST.A.1.U2.2240F.Z01.E](http://sdw.ecb.europa.eu/quickview.do?SERIES_KEY=117.BSI.Q.U2.N.A.A20EST.A.1.U2.2240F.Z01.E)> Accessed 20 August 2014.
- ECB (2014c): “Monetary and Financial Institutions (MFIs), Credit for consumption, Total, Outstanding amounts at the end of the period (stocks), Euro area (changing composition), Households and non-profit institutions serving households (S.14 and S.15), Euro,” *ECB Statistical Warehouse*, Data Set BSI.M.U2.Y.U.A21.A.1.U2.2250.Z01.E.  
<[http://sdw.ecb.europa.eu/quickview.do?jsessionid=16FE88960808B900B575C2F76328A954?SERIES\\_KEY=117.BSI.M.U2.Y.U.A21.A.1.U2.2250.Z01.E](http://sdw.ecb.europa.eu/quickview.do?jsessionid=16FE88960808B900B575C2F76328A954?SERIES_KEY=117.BSI.M.U2.Y.U.A21.A.1.U2.2250.Z01.E)> Accessed 20 August 2014.
- ECB (2014d): “The definition of price stability.”  
<<http://www.ecb.europa.eu/mopo/strategy/pricestab/html/index.en.html>> Accessed 12 September 2014.
- ECB (2014e): “ECB announces further details of the targeted longer-term refinancing operations,” *Press Release*, 3 July 2014.  
<[http://www.ecb.europa.eu/press/pr/date/2014/html/pr140703\\_2.en.html](http://www.ecb.europa.eu/press/pr/date/2014/html/pr140703_2.en.html)> Accessed 20 September 2014.
- EFSF (2013): “European Financial Stability Facility – Frequently Asked Questions.”  
<[http://www.efsfs.europa.eu/attachments/faq\\_en.pdf](http://www.efsfs.europa.eu/attachments/faq_en.pdf)> Accessed 15 January 2015.
- Egighian, Greg (1993): “The Politics of Victimization. Social Pensioners and the German Social State in the Inflation of 1914 to 1924,” *Central European History*, 26 (1993), pp. 375-405.
- Ehrmann, Michael, Marcel Fratzscher, Refet Gürkaynak, and Eric Swanson (2011): “Convergence and Anchoring of Yield Curves in the Euro Area,” *The Review of Economics and Statistics*, 93 (1), pp. 350-364.

eKathimerini (2012): "Venizelos defends PASOK's role," *eKathimerini*, 20 October 2012. <[http://www.ekathimerini.com/4dcgi/\\_w\\_articles\\_wsite1\\_1\\_10/10/2012\\_466776](http://www.ekathimerini.com/4dcgi/_w_articles_wsite1_1_10/10/2012_466776)> Accessed 15 April 2015.

Eichengreen, Barry (2003): "Restructuring Sovereign Debt," *Journal of Economic Perspectives*, 17 (4), pp. 75-98.

Einwiller, Ruth: "Innovationsindex 2012: Baden-Württemberg im europäischen Vergleich," *Statistical Monthly Baden-Württemberg* No. 12/2012, pp. 24-30. <[http://www.statistik-bw.de/Veroeffentl/Monatshefte/PDF/Beitrag12\\_12\\_04.pdf](http://www.statistik-bw.de/Veroeffentl/Monatshefte/PDF/Beitrag12_12_04.pdf)> Accessed 29 October 2014.

Elina (2010): "More old people and leftists are coming closer to the anarchist ideas," in: A. G. Schwarz, Tasos Sagris, and Void Network (Eds.): We are an image from the future: the Greek revolt of December 2008, Oakland: AK Press, pp. 269-270.

Ellyatt, Holly (2015): "G-20 chiefs plea for 'cooler heads' in Greek crisis," *CNBC* online, 9 February 2015. <[www.cnbc.com/2012/02/09/g-20-summit-greek-crisis.html](http://www.cnbc.com/2012/02/09/g-20-summit-greek-crisis.html)> Accessed 13 January 2015.

Elson, Diane (2013): "Austerity policies increase unemployment and inequality – but don't reduce budget deficits and government borrowing," *Journal of Australian Political Economy*, 71, pp. 130-133.

Emmott, Bill (2012): Good Italy, Bad Italy, New Haven: Yale University Press.

Eser, Fabian and Bernd Schwaab (2013): "Assessing Asset Purchases Within the ECB's Securities Markets Programme," *European Central Bank Working Paper* No. 1587. <<http://www.ecb.europa.eu/pub/pdf/scpwps/ecbwp1587.pdf>> Accessed December 27, 2013.

ESM (2012): "European Stability Mechanism – Frequently Asked Questions." <[www.esm.europa.eu/pdf/FAQ\\_per cent20ESM per cent20041020121.pdf](http://www.esm.europa.eu/pdf/FAQ_per cent20ESM per cent20041020121.pdf)> Accessed 15 January 2015.

ESM (2014): "Spain's Exit." <<http://www.esm.europa.eu/assistance/spain/index.htm>> Accessed 19 August 2014.

Eucken, Walter (1952/2008): "Die Politik der Wettbewerbsordnung – Die Konstituierenden Prinzipien," in: Nils Goldschmidt and Michael WohlgEuropean Monetary Unionth (Eds.): Grundtexte zur Freiburger Tradition der Ordnungsökonomik, Freiburg: Mohr Siebeck Publishers, pp. 197-220.

Eucken, Walter (1960): Grundsätze der Wirtschaftspolitik, Freiburg: Mohr Siebeck Publishers.

Euro Summit (2015): Euro Summit Statement No. SN 4070/15, Brussels, 12 July 2015.

Eurogroup (2013): "Eurogroup Statement on Cyprus," 12 April 2013. <[http://www.consilium.europa.eu/uedocs/cms\\_Data/docs/pressdata/en/ecofin/136767.pdf](http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ecofin/136767.pdf)> Accessed 19 August 2014.

European Commission (2006): "Investing in Europe's Member States and regions," *Presentation*, January 2006. <[http://ec.europa.eu/regional\\_policy/sources/slides/2007/cohesion\\_policy2007\\_en.ppt](http://ec.europa.eu/regional_policy/sources/slides/2007/cohesion_policy2007_en.ppt)> Accessed 15 January 2015.

European Commission (2007): "EU budget 2006 Financial Report," Office for Official

Publications of the European Communities.

<[http://www.europarl.europa.eu/meetdocs/2004\\_2009/documents/dv/tran20071120accountscom2006\\_tran20071120accountscom2006\\_en.pdf](http://www.europarl.europa.eu/meetdocs/2004_2009/documents/dv/tran20071120accountscom2006_tran20071120accountscom2006_en.pdf)> Accessed 27 October 2014.

European Commission (2010a): “Special Report: Competitiveness developments within the euro area,” *Quarterly Report on the Euro Area*, 8 (1).

<[http://ec.europa.eu/economy\\_finance/publications/publication14650\\_en.pdf](http://ec.europa.eu/economy_finance/publications/publication14650_en.pdf)> Accessed 28 October 2014.

European Commission (2010b): The Economic Adjustment Programme for Greece, Occasional Papers No. 61.

European Commission (2010c): Surveillance of Intra-Euro-Area Competitiveness and Imbalances, European Economy 1 (2010).

European Commission (2011a): The Economic Adjustment Programme for Portugal, Occasional Papers No. 79.

European Commission (2011b): The Economic Adjustment Programme for Ireland, Occasional Papers No. 76.

European Commission (2012a): The Second Economic Adjustment Programme for Greece, March 2012, Occasional Papers No. 94.

European Commission (2012b): Macroeconomic imbalances – Italy, Occasional Papers No. 107.

European Commission (2012c): The Economic Adjustment Programme for Portugal. Sixth Review – Autumn 2012, Occasional Papers No. 124.

European Commission (2012d): Macroeconomic Imbalances – Spain, Occasional Papers, No. 103.

European Commission (2012e): Economic Adjustment Programme for Ireland. Summer 2012 Review, Occasional Papers No. 115.

European Commission (2013): “State aid scoreboard 2013 > Aid in the context of the financial and economic crisis.” <[http://ec.europa.eu/competition/state\\_aid/scoreboard/financial\\_economic\\_crisis\\_aid\\_en.html](http://ec.europa.eu/competition/state_aid/scoreboard/financial_economic_crisis_aid_en.html)> Accessed 10 July 2014.

European Commission (2014a): The Second Economic Adjustment Programme for Greece, Fourth Review – April 2014, Occasional Papers No. 192.

<[http://ec.europa.eu/economy\\_finance/publications/occasional\\_paper/2014/pdf/ocp192\\_en.pdf](http://ec.europa.eu/economy_finance/publications/occasional_paper/2014/pdf/ocp192_en.pdf)> Accessed 15 January 2015.

European Commission (2014b): “Structural Funds (ERDF and ESF) eligibility 2014-2020.” <[http://ec.europa.eu/regional\\_policy/what/future/img/eligibility20142020.pdf](http://ec.europa.eu/regional_policy/what/future/img/eligibility20142020.pdf)> Accessed 30 October 2014.

European Commission (2014c): “Banking union: restoring financial stability in the Eurozone,” *European Commission Memo*, 15 April 2014  
<[http://ec.europa.eu/internal\\_market/finances/docs/banking-union/banking-union-memo\\_en.pdf](http://ec.europa.eu/internal_market/finances/docs/banking-union/banking-union-memo_en.pdf)> Accessed 1 August 2014.

European Commission at work (2015): Monitoring implementation of EU directives.  
<[http://ec.europa.eu/atwork/applying-eu-law/implementation-monitoring/index\\_en.htm](http://ec.europa.eu/atwork/applying-eu-law/implementation-monitoring/index_en.htm)>

Accessed 10 August 2015.

Eurostat (2009): "Provision of deficit and debt data for 2008 – second notification. Euro area and EU27 government deficit at 2.0 per cent and 2.3 per cent of GDP respectively," *Eurostat News Release* 149/2009, 22 October 2009.

<[http://epp.eurostat.ec.europa.eu/cache/ITY\\_PUBLIC/2-22102009-AP/EN/2-22102009-AP-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-22102009-AP/EN/2-22102009-AP-EN.PDF)> Accessed 23 August 2014.

Eurostat (2010): "Provision of deficit and debt data for 2009 - Second notification. Euro area and EU27 government deficit at 6.3 per cent and 6.8 per cent of GDP respectively," *Eurostat News Release* 170/2010, 15 November 2010.

<[http://epp.eurostat.ec.europa.eu/cache/ITY\\_PUBLIC/2-15112010-AP/EN/2-15112010-AP-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-15112010-AP/EN/2-15112010-AP-EN.PDF)> Accessed 23 August 2014.

Eurostat (2012): "EU27 deficit in trade in goods with China down to 67 bn euro in the first six months of 2012," Press Release No. 135/2012.

<[http://epp.eurostat.ec.europa.eu/cache/ITY\\_PUBLIC/6-18092012-AP/EN/6-18092012-AP-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/6-18092012-AP/EN/6-18092012-AP-EN.PDF)> Accessed 26 October 2014.

Eurostat (2013a): "Innovation Statistics," January 2013.

<[http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Innovation\\_statistics](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Innovation_statistics)> Accessed 2 November 2014.

Eurostat (2013b): "Regional GDP per capita in the EU in 2010: eight capital regions in the ten first places," News Release No. STAT/13/46, 21 March 2013. <[europa.eu/rapid/press-release\\_STAT-13-46\\_en.pdf](http://europa.eu/rapid/press-release_STAT-13-46_en.pdf)> Accessed 28 October 2014.

Eurostat (2013c): European System of Accounts, Publications Office of the European Union.

Eurostat (2014a): "General Government Gross Debt," 2014 (tsdde410).

<<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tsdde410&plugin=1>> Accessed 14 August 2014.

Eurostat (2014b): "National accounts and GDP"

<[http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/National\\_accounts\\_and\\_GDP](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/National_accounts_and_GDP)> Accessed 1 August 2014.

Eurostat (2014c): "Real GDP Growth Rate – volume," 2014 (tec00115).

<<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tec00115>> Accessed 15 September 2014.

Eurostat (2014d): "Regional unemployment rates ranged from 2.6 per cent in Oberbayern to 36.3 per cent in Andalucía," Press Release No. 60/2014, 15 April 2014.

<[http://epp.eurostat.ec.europa.eu/cache/ITY\\_PUBLIC/1-15042014-BP/EN/1-15042014-BP-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/1-15042014-BP/EN/1-15042014-BP-EN.PDF)> Accessed 2 November 2014.

Eurostat (2014e): "Youth unemployment," Statistics Explained 2014.

<[http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Youth\\_unemployment](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Youth_unemployment)> Accessed 2 November 2014.

Eurostat (2014f): "GDP per capita in the EU in 2011: seven capital regions among the ten most prosperous," News Release No. 29/2014, 27 February 2014.

<[http://epp.eurostat.ec.europa.eu/cache/ITY\\_PUBLIC/1-27022014-AP/EN/1-27022014-AP-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/1-27022014-AP/EN/1-27022014-AP-EN.PDF)> Accessed 2 November 2014.

Eurostat (2015a): "Glossary: Gross domestic product (GDP)," *Eurostat Statistics Explained*. <[ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Gross\\_domestic\\_product\\_\(GDP\)](http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Gross_domestic_product_(GDP))> Accessed 24 October 2015.

Eurostat (2015b): "Glossary: Gross value added at market prices," *Eurostat Statistics Explained*. <[http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Value\\_added](http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Value_added)> Accessed 24 October 2015.

Eurostat (2015c): "Real effective exchange rate – 37 trading partners (tsdec330)" *Eurostat Metadata*. <[http://ec.europa.eu/eurostat/cache/metadata/en/tsdec330\\_esmsip.htm](http://ec.europa.eu/eurostat/cache/metadata/en/tsdec330_esmsip.htm)> Accessed 24 October 2015.

Eurostat (2015d): "Balance of the current account," 2015. (tec00043). <<http://ec.europa.eu/eurostat/tgm/table.do?tab=table&language=en&pcode=tec00043>> Accessed 21 June 2015.

Eurostat (2015e): "Unemployment rate by sex and age groups – annual average, per cent," 2015. (une\_rt\_a). <[http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=une\\_rt\\_a&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=une_rt_a&lang=en)> Accessed 21 June 2015.

Eurostat (2015f): "Statistics explained: Unemployment in the regions of the European Union," Image: Italian regions. <[http://ec.europa.eu/eurostat/statistics-explained/images/0/05/Unemployment\\_in\\_the\\_regions\\_of\\_the\\_European\\_Union\\_4.png](http://ec.europa.eu/eurostat/statistics-explained/images/0/05/Unemployment_in_the_regions_of_the_European_Union_4.png)> Accessed 21 June 2015.

Eurostat (2015g): "Direct investment flows as per cent of GDP," 2015. (tec00046). <<http://ec.europa.eu/eurostat/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=tec00046&language=en>> Accessed 21 June 2015.

Eurostat (2015h): "GDP up by 0.3 per cent in the euro area and by 0.4 per cent in the EU28," Eurostat News Release euroindicators No. 199/2015, 13 November 2015. <<http://ec.europa.eu/eurostat/documents/2995521/7075215/2-13112015-BP-EN.pdf/b1b2ad4f-32ef-4737-abbe-5dc7b91dd1bb>> Accessed 14 January 2016.

Eurostat (2016): "Unemployment rate by sex and age – monthly average, per cent," 2016. (une\_rt\_m). <[http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=une\\_rt\\_m&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=une_rt_m&lang=en)> Accessed 9 March 2016.

Evans-Pritchard, Ambrose (2012): "German court backs ESM rescue fund in double-edged ruling," *The Telegraph* online, 12 September 2012. <<http://www.telegraph.co.uk/finance/financialcrisis/9539695/German-court-backs-ESM-rescue-fund-in-double-edged-ruling.html>> Accessed 19 August 2014.

Ewing, Jack (2010): "Central Banker Takes a Chance by Speaking Out," *The New York Times* online, 1 November 2010. <<http://www.nytimes.com/2010/11/02/business/global/02weber.html?pagewanted=all>> Accessed 14 August 2014.

Faiola, Antony (2012): "European leaders agree to use bailout fund to help banks, contain crisis," *The Washington Post* online, 29 June 2012. <[http://www.washingtonpost.com/world/europe/eurozone-leaders-hold-meeting-on-emergency-measures-to-help-spain-italy-markets/2012/06/28/gJQArdejAW\\_story.html](http://www.washingtonpost.com/world/europe/eurozone-leaders-hold-meeting-on-emergency-measures-to-help-spain-italy-markets/2012/06/28/gJQArdejAW_story.html)> Accessed 1 August 2014.

Farrell, Maureen (2012): "Citi: Chance of Greek eurozone exit at 90 per cent," *CNN Money* online, 26 July 2012. <<http://money.cnn.com/2012/07/26/investing/greek-eurozone-exit/>> Accessed 21 November 2014.

Federico, Giovanni and Nikolaus Wolf (2013): "A Long-Run Perspective on Comparative Advantage," in: Gianni Toniolo (Ed): The Oxford Handbook of The Italian Economy Since Unification, Oxford: Oxford University Press, pp. 327-350.

Feldman, Gerald (1993): The Great Disorder, Oxford: Oxford University Press.

Fernandez-Albertos, José, Alexander Kuo and Laia Balcells (2013): "Economic Crisis, Globalization, and Partisan Bias: Evidence from Spain," *International Studies Quarterly*, 2013 (57), pp. 804-816.

Fioretos, Orfeo (2001): "The Domestic Sources of Multilateral Preferences: Varieties of Capitalism in the European Community," in: Peter Hall and David Soskice (Eds.): Varieties of Capitalism. The Institutional Foundations of Comparative Advantage, Oxford: Oxford University Press, pp. 213-244.

Fisher, Irving (1896): "What is Capital?" *The Economic Journal*, 6 (24), pp. 509-534.

Fleckenstein, Timo (2011): Institutions, ideas, and learning in welfare state change: labour market reforms in Germany, London: Palgrave Macmillan.

Flesh Machine (2010): "The Morbid Explosion of Ideology," 10 May 2010. <<http://blog.occupiedlondon.org/2010/05/11/289-the-morbid-explosion-of-ideology/>> Accessed on 22 January 2014.

Flink, Salomon (1969): The German Reichsbank and Economic Germany, New York: Greenwood Press.

Francis, David (2015): "Greece Rejects European Austerity," *Foreign Policy*, 5 July 2015. <<http://foreignpolicy.com/2015/07/05/is-the-greek-rejection-of-austerity-the-end-of-modern-europe/>> Accessed 16 September 2015.

Franzese, Robert (2001): "Institutional and Sectoral Interactions in Monetary Policy and Wage/Price-Bargaining," in: Peter Hall and David Soskice (Eds.): Varieties of Capitalism. The Institutional Foundations of Comparative Advantage, Oxford: Oxford University Press, pp. 104-144.

Frazer, Hugh and Eric Marlier (2010): In-Work Poverty and Labour Market Segmentation in the EU: Key Lessons. Synthesis Report, Brussels: EU Network of Independent Experts on Social Inclusion and European Commission.

Frieden, Jeffrey (2002): "Real Sources of European Currency Policy: Sectoral Interests and European Monetary Integration," *International Organization*, 56 (4), pp. 831-860.

G20 (2014): Comprehensive Growth Strategy – Spain. <[https://g20.org/wp-content/uploads/2014/12/g20\\_comprehensive\\_growth\\_strategy\\_spain-1.pdf](https://g20.org/wp-content/uploads/2014/12/g20_comprehensive_growth_strategy_spain-1.pdf)> Accessed 20 June 2015.

Galbraith, John K. (1956): American Capitalism. The Concept of Countervailing Power, Boston: Houghton-Mifflin Publishing.

Galbraith, John K. (1971): The New Industrial State, New York: Mentor Books.

Galbraith, James K. (2006): "Endogenous doctrine, or, why is monetary policy in America

so much better than in Europe?,” *Journal of Post Keynesian Economics*, 28 (3), pp. 423-432.

Galbraith, James K., Ulrike Guérat, John N. Gray, Christiane Lemke, Jeff Madrick and Emmanuel Todd (2014): “How Germany Reconquered Europe. The euro and its discontents,” Forum, *Harper's Magazine*, 328 (1965), February 2014, pp. 33-44.

Garrett, Geoffrey (2001): “The Politics of Maastricht,” in: Barry Eichengreen and Jeffrey Frieden (Eds.): The Political Economy of European Monetary Integration, Boulder: Westview Press, pp. 111-130.

Gebel, Michael and Johannes Giesecke (2011): “Labor Market Flexibility and Inequality: The Changing Skill-Based Temporary Employment and Unemployment Risks in Europe,” *Social Forces*, 90 (1), pp. 17-39.

Geithner, Timothy (2014): Stress Test, New York: Crown Business Publishing.

Georgiopoulos, George and Daniel Flynn (2011): “Greek protesters call president 'traitor,' halt parade,” *Reuters* online, 28 October 2011. <<http://www.reuters.com/article/2011/10/28/us-greece-protest-idUSTRE79R34J20111028>> Accessed 15 April 2015.

Geyer, Martin (1990): “Teuerungsprotest, Konsumentenpolitik und soziale Gerechtigkeit in der Inflation: München 1920-1923,” *Archiv für Sozialgeschichte*, 30 (1990), pp. 181-215.

GfK Geomarketing Staff (2011): “New GfK Study Reveals Socio-demographic Structures in Germany,” *Directions Magazine*. <<http://www.directionsmag.com/entry/new-gfk-study-reveals-socio-demographic-structures-in-germany/226850>> Accessed 19 November 2015.

Giannone, Domenico, Michele Lenza, Huw Pill and Lucrezia Reichlin (2012): “The ECB and the Interbank Market,” *The Economic Journal*, 122, pp. F467-F486.

Giersch, Herbert, Karl-Heinz Paqué and Holger Schmiedig (1992): The fading miracle. Four decades of market economy in Germany, Cambridge: Cambridge University Press.

Giovanopoulos, Christos and Dimitris Dalakoglou (2011): “From ruptures to eruption: A genealogy of post-dictatorial revolts in Greece,” in: idem. (Eds.): Revolt and Crisis in Greece. Between a Present Yet to Pass and a Future Still To Come, Oakland: AK Press and Occupied London, pp. 91-114.

Gnos, Claude: “French Circuit Theory,” in: Philip Arestis, Malcolm Sawyer (Eds.): A Handbook of Alternative Monetary Economics, Cheltenham: Edward Elgar Publishing 2006, pp. 87-104.

Goncalves, Sergio (2014): “Portugal to rescue BES using remaining bailout money,” *Reuters* online, 3 August 2014. <<http://www.reuters.com/article/2014/08/03/us-portugal-bes-idUSKBN0G30LO20140803>> Accessed 21 August 2014.

Gore, Gareth and Sudip Roy (2012): “German banks win big from Spain bailout,” *Reuters* online, 29 June 2012. <<http://in.reuters.com/article/2012/06/29/spain-germany-bailout-ifr-idINL6E8HTFC820120629>> Accessed 21 June 2015.

Graham, Dave (2009): “Study shows high cost of German reunification: report,” *Reuters* online, 7 November 2009. <<http://www.reuters.com/article/2009/11/07/us-germany-wall-idUSTRE5A613B20091107>> Accessed 27 October 2014.

Graziani, Augusto (2003): The Monetary Theory of Production, Cambridge: Cambridge University Press.

Grey, Stephen (2015): "PM Tsipras declares war at home on Greece's 'oligarchs,'" *Reuters* online, 17 February 2015. <<http://www.reuters.com/article/2015/02/17/us-eurozone-greece-corruption-insight-idUSKBN0LL13M20150217>> Accessed 16 April 2015.

Grillo, Ulrich (2014): "Griechenland nicht um jeden Preis halten," *Frankfurter Allgemeine Zeitung* online, 13 June 2015. <<http://www.faz.net/aktuell/wirtschaft/gastbeitrag-griechenland-nicht-um-jeden-preis-halten-13644421.html>> Accessed 20 June 2015.

Guerreri, Luca, Matteo Iacoviello and Raoul Minetti (2012): "Banks, Sovereign Debt, and the International Transmission of Business Cycles," *NBER International Seminar of Macroeconomics*, 9 (1), pp. 181-213.

Guillén, Arturo (2012): "Europe: The Crisis Within a Crisis," *International Journal of Political Economy*, 41 (3), pp. 41-68.

Guinan, Joe (2014): "Returns to Capital: Austerity and the Crisis of European Social Democracy," *The Good Society*, 22 (1), pp. 44-60.

Guttman, William and Patricia Meehan (1975): The Great Inflation. Germany 1919-1923, London: Saxon House Publishing.

Habermas, Jürgen (2012): The crisis of the European Union: A Response, Cambridge: Polity Press.

Hall, Peter (2007): "The Evolution of Varieties of Capitalism in Europe," in: Bob Hancké, Martin Rhodes, and Mark Thatcher (Eds.): Beyond Varieties of Capitalism, Oxford: Oxford University Press, pp. 39-85.

Hall, Peter (2014): "Varieties of Capitalism and the Euro Crisis," *West European Politics*, 37 (6), pp. 1223-1243.

Hall, Peter and David Soskice (2001): "An Introduction to Varieties of Capitalism," in: Peter Hall and David Soskice (Eds.): Varieties of Capitalism. The Institutional Foundations of Comparative Advantage, Oxford: Oxford University Press, pp. 1-68.

Hamann, Kerstin (2012): The Politics of Industrial Relations. Labor Unions in Spain, New York: Routledge Publishing.

Hancké, Bob, Martin Rhodes, Mark Thatcher (2007): "Introduction: Beyond Varieties of Capitalism," in: Bob Hancké, Martin Rhodes, Mark Thatcher (Eds.): Beyond Varieties of Capitalism, Oxford: Oxford University Press, pp. 3-38.

Harmes, Adam (2006): "Neoliberalism and Multilevel Governance," *Review of International Political Economy*, 13 (5), pp. 725-749.

Harter, Pascale (2012): "The white elephants that dragged Spain into the red," *BBC News*, 26 July 2012. <<http://www.bbc.com/news/magazine-18855961>> Accessed 12 October 2015.

Harvey, David (2005): A Brief History of Neoliberalism, Oxford: Oxford University Press.

Harvey, David (2011): The Enigma of Capital, Oxford: Oxford University Press.

Hatzis, Aristides (2012): "In Greece, Syriza Will Be Back With a Vengeance," *CNBC Commentary*, 29 June 2012. <<http://www.cnbc.com/id/48009453>> Accessed on 16 September 2015.

Hau, Harald and Marcel Thum (2009): "Subprime crisis and board (in-)competence: private versus public banks in Germany," *Economic Policy*, 24 (60), pp. 701-752.

Hawley, Chris (2012): "Transparency International Study: Greece Plunges in Global Corruption Rankings," *Der Spiegel International* online, 5 December 2012.  
<<http://www.spiegel.de/international/world/transparency-international-ranks-greece-as-most-corrupt-in-eu-a-871074.html>> Accessed 15 April 2015.

Hay, Colin and Daniel Wincott (2012): The Political Economy of European Welfare Capitalism, London: Palgrave Macmillan.

Hedgecoe, Guy (2015a): "Austerity makes Spain susceptible to 'Greece effect,'" *Deutsche Welle*, 13. February 2015. <<http://www.dw.com/en/austerity-makes-spain-susceptible-to-greece-effect/a-18256549>> Accessed 21 June 2015.

Hedgecoe, Guy (2015b): "Local pressure sees Spain take in more refugees," *Deutsche Welle*, 8 September 2015. <<http://www.dw.com/en/local-pressure-sees-spain-take-in-more-refugees/a-18700020>> Accessed 30 January 2016.

Heinrich, Steffen (2010): "Facing the 'dark side' of deregulation: The politics of two-tier labour markets in Germany and Japan after the global financial crisis," in: Ian Greener, Chris Holden, and Majella Kilkey (Eds.): Social Policy Review 22 – Analysis and debate in social policy, 2010, Bristol: Policy Press, pp. 149-172.

Heise, Arne (2012): "Governance Without Government," *International Journal of Political Economy*, 41 (2), pp. 42-60.

Helaba Landesbank Hessen-Thüringen: "Die 100 größten Unternehmen in Hessen," October 2013.  
<<https://www.helaba.de/de/DieHelaba/MaerkteUndAnalysen/ResearchUndVolkswirtschaft/Hessen-Thueringen/Downloads/20131009-groesstenHessen.pdf>> Accessed 30 October 2014.

Henley, Jon (2015): "Greek PM Alexis Tsipras appoints radical economist to new government," *The Guardian* online, 27 January 2015.  
<<http://www.theguardian.com/world/2015/jan/27/greek-pm-alexis-tsipras-economist-yanis-varoufakis>> Accessed 13 February 2015.

Herrigel, Gary (2010): Manufacturing Possibilities. Creative Action and Industrial Recomposition in the United States, Germany, and Japan, Oxford: Oxford University Press.

Herzfeld, Michael (2011): "Crisis attack: impromptu ethnography in the Greek maelstrom," *Anthropology Today*, 27 (5), pp. 22-26.

Heyer, Julia (2012): "'We Are Greedy and Asocial': Corruption Continues Virtually Unchecked in Greece," *Der Spiegel International* online, 16 October 2012.  
<<http://www.spiegel.de/international/europe/corruption-continues-virtually-unchecked-in-greece-a-861327.html>> Accessed 15 April 2015.

Higgins, Matthew and Thomas Klitgaard (2014): "The Balance of Payment Crisis in the Euro Area Periphery," Federal Reserve Bank of New York, *Current Issues in Economic and Finance*, 20 (2). <[http://www.newyorkfed.org/research/current\\_issues/ci20-2.pdf](http://www.newyorkfed.org/research/current_issues/ci20-2.pdf)> Accessed 17 August 2014.

Ho, Karen (2009): Liquidated. An Ethnography of Wall Street, Durham: Duke University Press.

Hollanders, Hugo, Lorena Rivera Léon and Laura Roman (2012): Regional Innovation Scoreboard 2012, Brussels: Report for the Directorate-General for Enterprise and Industry in the

European Commission. <[http://ec.europa.eu/enterprise/policies/innovation/files/ris-2012\\_en.pdf](http://ec.europa.eu/enterprise/policies/innovation/files/ris-2012_en.pdf)> Accessed 2 November 2014.

Holman, Otto (2004): "Asymmetrical regulation and multidimensional governance in the European Union," *Review of International Political Economy*, 11 (4), pp. 714-735.

Hoover, Kenneth (1987): "The Rise of Conservative Capitalism: Ideological Tensions Within the Reagan and Thatcher Governments," *Comparative Studies in Society and History*, 29 (2), pp. 245-268.

Hope, Kerin (2012): "Samaras vows to fight Greek corruption," *Financial Times* online, 30 September 2012. <<http://www.ft.com/cms/s/0/af4cbf18-0b15-11e2-afb8-00144feabdc0.html#axzz3R5ZdIo3f>> Accessed 7 February 2015.

Hope, Kerin and Stefan Wagstyl (2015): "Greece will no longer deal with 'troika,' Yanis Varoufakis says," *Financial Times* online, 30 January 2015. <<http://www.ft.com/cms/s/0/2403f3e8-a8a4-11e4-97b7-00144feab7de.html#axzz3XUNIKmgJ>> Accessed 16 April 2015.

IHK (2012): Die Konjunktur in Hessen – Herbst 2012, Darmstadt: Arbeitsgemeinschaft Hessischer Industrie- und Handelskammern. <[https://www.ihk-kassel.de/solva\\_docs/konjunktur\\_hessen\\_herbst2012.pdf](https://www.ihk-kassel.de/solva_docs/konjunktur_hessen_herbst2012.pdf)> Accessed 16 January 2015.

Ilzkovitz, Fabienne, Adriaan Dierx, Viktoria Kovacs, Nuno Sousa (2007): "Steps towards a deeper economic integration: the Internal Market in the 21st Century," *Economic Paper* No. 271, Brussels: European Commission, Directorate for Economic and Financial Affairs.

IMF (2009): "Statement by Heads of MDBs and IMF at the Conclusion of the Meeting in Tunis," *Press Release* No. 09/37. <<https://www.imf.org/external/np/sec/pr/2009/pr0937.htm>> Accessed 17 August 2014.

IMF (2015): "Greece. An Update of IMF Staff's Preliminary Public Debt Sustainability Analysis," *IMF Country Report* No. 15/186, 14 July 2015. <<https://www.imf.org/external/pubs/ft/scr/2015/cr15186.pdf>> Accessed 10 August 2015.

Immel, Michael (2010): "Das Euro-Gebiet ist im Epizentrum der Krise," Interview with ECB Board Member Jürgen Stark, *tagesschau.de* online, 13 May 2010. <<http://www.tagesschau.de/wirtschaft/intervieweb100.html>> Accessed 14 August 2014.

Inman, Phillip (2010): "ECB tries to calm markets by promising unlimited liquidity," *The Guardian* online, 2 December 2010. <<http://www.theguardian.com/business/2010/dec/02/european-central-bank-bonds-jean-claude-trichet>> Accessed 14 August 2014.

Inman, Phillip (2015): "Greece deal is first step on the road back to austerity," *The Guardian* online, 20 February 2015. <<http://www.theguardian.com/business/2015/feb/20/greece-deal-first-step-on-the-road-back-to-austerity>> Accessed 16 April 2015.

Inman, Phillip and Helena Smith (2015): "Germany-Greece row heats up as Schäuble denies insulting Varoufakis," *The Guardian* online, 12 March 2015. <<http://www.theguardian.com/world/2015/mar/12/germany-greece-row-heats-up-schauble-denies-insulting-varoufakis>> Accessed 16 September 2015.

International Communist League (2012): "Vote KKE! No vote to SYRIZA!" Leaflet, 5 June 2012. <<http://www.icl-fi.org/english/leaflets/votekke.html>> Accessed 22 February 2015.

Isidore, Chris (2012): "S&P downgrades BNP Paribas, 2 other French banks," *CNN Money*

online, 25 October 2012. <<http://money.cnn.com/2012/10/25/investing/french-banks-downgrade/>> Accessed 18 August 2014.

Issing, Otmar (2011): "SPIEGEL Interview with Ex-ECB Chief Economist Issing: 'The Euro Will Exist for a Long Time to Come,'" *Der Spiegel* online, 23 March 2011.

<<http://www.spiegel.de/international/spiegel/spiegel-interview-with-ex-ecb-chief-economist-issing-the-euro-will-exist-for-a-long-time-to-come-a-752591.html>> Accessed 13 July 2015.

Iulia (2010): "I feel very lucky to be living in these times," in: A. G. Schwarz, Tasos Sagris, and Void Network (Eds.): We are an image from the future: the Greek revolt of December 2008, Oakland: AK Press, pp. 303-305.

Iversen, Torben (2007): "Economic Shocks and Varieties of Government Responses," in: Bob Hancké, Martin Rhodes, Mark Thatcher (Eds.): Beyond Varieties of Capitalism, Oxford: Oxford University Press, pp. 278-304.

Jansen, Liza (2012): "Euro Zone Country With Lowest Debt Says Austerity Works," *CNBC* online, 2 October 2012. <<http://www.cnbc.com/id/49086123#>> Accessed 15 April 2015.

Jessop, Bob (1990): State theory. putting the Capitalist state in its place, University Park: Pennsylvania State University Press.

Jolly, David (2010): "2009 Greek Deficit Revised Higher," *The New York Times* online, 15 November 2010. <<http://www.nytimes.com/2010/11/16/business/global/16deficit.html>> Accessed 22 August 2014.

Jones, Claire (2013): "ECB poised to get tough on sovereign bond risks," *Financial Times* online, 11 December 2013. <<http://www.ft.com/cms/s/0/7559aba8-6277-11e3-bba5-00144feabdc0.html#axzz3AP6nCzva>> Accessed 14 August 2014.

Jones, Claire (2015): "Eurozone's dip into deflation halted as prices remain flat," *Financial Times* online, 30 April 2015. <<http://www.ft.com/cms/s/0/f3701f9a-ef16-11e4-a6d2-00144feab7de.html>> Accessed 8 July 2015.

Jones, Owen (2015): "We must stop Angela Merkel's bullying – or let the forces of austerity win," *The Guardian* online, 28 January 2015.  
<<http://www.theguardian.com/commentisfree/2015/jan/28/syriza-merkel-economic-greece-europe>> Accessed 14 April 2015.

Jones, Marc, Sakari Suoninen, Matthias Sobolewski and Ruth Pitchford (2011): "BoE's Posen sees risk of euro zone rescue 'disaster,'" *Reuters* online, 24 June 2011.  
<<http://uk.reuters.com/article/2011/06/24/boe-posen-idUKLDE75N0I320110624>> Accessed 24 October 2015.

Jung, Alexander (2014): "Sowing Fear: World War I and the Seeds of Hyperinflation," *Der Spiegel* online, 7 February 2014. <<http://www.spiegel.de/international/europe/world-war-i-sowed-seeds-of-german-hyperinflation-in-1923-a-952143.html>> Accessed 14 July 2015.

Kahanec, Martin and Brian Fabo (2013): "Migration Strategies of the Crisis-Stricken Youth in an Enlarged European Union," *Institute for the Study of Labor Discussion Paper No. 7285/March 2013*. <<http://ftp.iza.org/dp7285.pdf>> Accessed 2 November 2014.

Kaiser, Stefan (2012): "Euro-Krise: Finnischer Minister lästert über 'lasche' Südländer," *Der Spiegel* online, 8 September 2012. <<http://www.spiegel.de/wirtschaft/soziales/finnland-europaminister-haelt-lasche-suedlaender-zum-sparen-an-a-854708.html>> Accessed 13 July 2015.

Kallianos, Yanis (2011): "December as an event in Greek radical politics," in: Antonis Vradis and Dimitris Dalakoglou (Eds.): Revolt and Crisis in Greece. Between a Present Yet to Pass and a Future Still To Come, Oakland: AK Press and Occupied London, pp. 151-166.

Kanter, James and Liz Alderman: "Greek View on Austerity Worries Other Governments," *The New York Times* online, 15 February 2015.  
<<http://www.nytimes.com/2015/02/16/business/international/greek-view-on-austerity-worries-other-governments.html>> Accessed 6 July 2015.

Kaplanis, Yiannis (2011): "An economy that excludes the many and an 'accidental' revolt," in: Antonis Vradis and Dimitris Dalakoglou (Eds.): Revolt and Crisis in Greece. Between a Present Yet to Pass and a Future Still To Come, Oakland: AK Press and Occupied London, pp. 215-228.

Kassam, Ashifa (2015): "Spain's indignados could rule Barcelona and Madrid after local election success," *The Guardian* online, 25 May 2015.  
<<http://www.theguardian.com/world/2015/may/25/spains-indignados-ada-colau-elections-mayor-barcelona>> Accessed 21 June 2015.

Kerber, Markus and Mario Dobovisek (2015): "BDI fordert weitere Reformen," Interview with Markus Kerber by Mario Dobovisek, *Deutschlandfunk*, 28 January 2015.  
<[http://www.deutschlandfunk.de/griechenland-bdi-fordert-weitere-reformen.694.de.html?dram:article\\_id=309946](http://www.deutschlandfunk.de/griechenland-bdi-fordert-weitere-reformen.694.de.html?dram:article_id=309946)> Accessed on 14 April 2015.

Keynes, John Maynard (1964): The General Theory of Employment, Interest, and Money, New York: Harcourt, Brace and World Publishing.

Kindleberger, Charles and Robert Aliber (2011): Manias, Panics, and Crashes, London: Palgrave Macmillan.

Kittler, Friedrich (1990): Discourse Networks, 1800/1900, Redwood City: Stanford University Press.

Kollewe, Julia (2012a): "Angela Merkel's austerity postergirl, the thrifty Swabian housewife," *The Guardian* online, 17 September 2012.  
<<http://www.theguardian.com/world/2012/sep/17/angela-merkel-austerity-swabian-housewives>> Accessed 2 November 2014.

Kollewe, Julia (2012b): "How Germany's South became the backbone of a vibrant economy," *The Guardian* online, 17 September 2012.  
<<http://www.theguardian.com/world/2012/sep/17/germany-south-backbone-economy>> Accessed 2 November 2014.

Konstandaras, Nikos (2014): "From Pericles to Potami," *The New York Times* online, 24 April 2014. <[http://www.nytimes.com/2014/04/25/opinion/konstandaras-from-pericles-to-potami.html?\\_r=0](http://www.nytimes.com/2014/04/25/opinion/konstandaras-from-pericles-to-potami.html?_r=0)> Accessed 16 February 2015.

Kraemer, Moritz and Frank Gill (2012): "France's Unsolicited Long-Term Ratings Lowered To 'AA+'; Outlook Negative," *Standard & Poor's* Press Release, 13 January 2012.  
<<http://www.standardandpoors.com/ratings/articles/en/us/?assetID=1245327295020>> Accessed 14 August 2014.

Krieger-Boden, Christiane (2008): "Eastern enlargement in a nutshell: case study of Germany," in: idem., Edgar Morgenroth and George Petrakos (Eds.): The Impact of European

Integration on Regional Structural Change and Cohesion, New York: Routledge Publishing, pp. 133-153.

Krishnamurthy, Arvind, Stefan Nagel and Annette Vissing-Jorgensen (2014): "ECB Policies Involving Government Bond Purchases: Impact and Channels," *Working Paper*, 15 August 2014.

Kroes, Neelie (2009): "Competition Law in an Economic Crisis," Speech at the 13th Annual Competition Conference of the International Bar Association Fiesole, 11 September 2009. <[http://europa.eu/rapid/press-release\\_SPEECH-09-385\\_en.htm?locale=en](http://europa.eu/rapid/press-release_SPEECH-09-385_en.htm?locale=en)> Accessed 23 August 2014.

Krugman, Paul (2012a): "Doubling Down," *The New York Times* online, 8 May 2012. <<http://krugman.blogs.nytimes.com/2012/05/08/doubling-down/>>

Krugman, Paul (2012b): "Europe's Austerity Madness," *The New York Times* online, 27 September 2012. <[http://www.nytimes.com/2012/09/28/opinion/krugman-europe-s-austerity-madness.html?\\_r=0](http://www.nytimes.com/2012/09/28/opinion/krugman-europe-s-austerity-madness.html?_r=0)> Accessed 8 July 2015.

Krugman, Paul (2015): "Roach Motel Economics," *The New York Times* online, 13 July 2015. <[http://krugman.blogs.nytimes.com/2015/07/13/roach-motel-economics/?smprod=nytcore-iphone&smid=nytcore-iphone-share&\\_r=0](http://krugman.blogs.nytimes.com/2015/07/13/roach-motel-economics/?smprod=nytcore-iphone&smid=nytcore-iphone-share&_r=0)> Accessed 14 July 2015.

Kuhn, Marc (2010): "Unternehmen in Hessen zuversichtlich," *Offenbacher Post* online, 1 June 2010. <<http://www.op-online.de/lokales/hessen/unternehmen-hessen-zuversichtlich-787330.html>> Accessed 16 January 2015.

Labropoulou, Elinda (2012): "Thousands protest austerity measures in Greece," *CNN* online, 26 September 2012. <<http://www.cnn.com/2012/09/26/world/europe/greece-protests/>> Accessed 15 April 2015.

Lachmann, Günther (2012): "Europa läuft Gefahr, die Demokratie zu verspielen," *Die Welt* online, 30 January 2012. <<http://www.welt.de/debatte/guentherlachmann/article13841150/Europa-laeuft-Gefahr-die-Demokratie-zu-verspielen.html>> Accessed 30 January 2016.

Landauer, Gustav (2010): Revolution, and other Writings. A Political Reader, Oakland: PM Press.

Lane, Philip (2006): "The Real Effects of European Monetary Union," *Journal of Economic Perspectives*, 20 (4), pp. 47-66.

Lane, Philip (2012): "The European Sovereign Debt Crisis," *Journal of Economic Perspectives*, 26 (3), pp. 49-68.

Lastra-Anadón, Carlos Xabel (2013): "Regional Identity and Fiscal Constraints in Spanish Federalism," in: in: Paul Peterson and Daniel Nadler (Eds): The Global Debt Crisis: Haunting U.S. and European Federalism, Washington, DC: Brookings Press, pp. 179-199.

Lawton, Christopher (2013): "Euro-Zone Banking Assets Reach \$39.86 Trillion," *The Wall Street Journal* online, 4 November 2013. <<http://online.wsj.com/news/articles/SB10001424052702303936904579177412896271796>> Accessed 18 August 2014.

Lazzarato, Maurizio (2012): The Making of the Indebted Man, Los Angeles: Semiotext(e).

Le Monde (2015): "#ThisIsACoup, les internautes prennent parti sur la Grèce," *Big Browser*

blog, 13 July 2015. <<http://bigbrowser.blog.lemonde.fr/2015/07/13/thisisacoup-les-internautes-prennent-partie-sur-la-grece/>> Accessed 14 July 2015.

Le Pen, Marine (2015): “‘Monstrous democratic slap to EU’: Le Pen hails Greek anti-austerity party victory,” *RT* online, 26 January 2015. <<http://rt.com/news/226199-france-greece-elections-lepen/>> Accessed 14 April 2015.

Leaman, Jeremy (2001): The Bundesbank Myth. Towards a Critique of Central Bank Independence, London: Palgrave Macmillan Publishing.

Lefebvre, Henri (1991): The Production of Space, Malden: Wiley-Blackwell.

Lehmkuhl, Frank, Frank Thewes, Hartmut Kistenfeger, Katrin von Randenborgh, Axel Spilcker, Marco Wisniewski, and Alexander Wendt (2012): “Armer Westen!”, *FOCUS*, 10/2012, pp. 20-27.

Lethbridge, Jane (2012): “How women are being affected by the global economic crisis and austerity measures,” *Public Services International Research Unit*. <[http://congress.worldpsi.org/sites/default/files/upload/event/EN\\_PSI\\_Crisis\\_Impact\\_Austerity\\_on\\_Women.pdf](http://congress.worldpsi.org/sites/default/files/upload/event/EN_PSI_Crisis_Impact_Austerity_on_Women.pdf)> Accessed 4 February 2015.

LiPuma, Edward and Benjamin Lee (2004): Financial Derivatives and the Globalization of Risk, New York: Public Planet Books.

Lichtblau, Karl, Adriana Neligan and Iris Richter (2005): “Erfolgsfaktoren von M+E-Clustern in Deutschland,” *IW-Trends*, 32 (2), pp. 31-43.

Little John (2010): “Okay, now we’re going to fuck everything up,” in: A. G. Schwarz, Tasos Sagris, and Void Network (Eds.): We are an image from the future: the Greek revolt of December 2008, Oakland: AK Press, pp. 105-107.

Lo Conte, Riccardo (2009): “Government Bond Yield Spreads: A Survey,” *Giornale degli Economisti e Annali di Economia*, 68 (3), pp. 341-369.

Lombardi, Domenica and Luigi Paganetto (2014): “Italy: Strategies for Moving from Crisis to Growth,” in: Kemal Dervis and Jacques Mistral (Eds.): Europe’s Crisis, Europe’s Future, Washington, DC: Brookings Press, pp. 64-92.

Lowen, Mark (2012): “Greek unrest after pensioner suicide beside parliament,” *BBC News* online, 5 April 2012. <<http://www.bbc.com/news/world-europe-17620421>> Accessed 15 April 2015.

Lucarelli, Bill (2011): “German neomercantilism and the European sovereign debt crisis,” *Journal of Post Keynesian Economics*, 34 (2), pp. 205-224.

Luther, Hans (1964): Vor dem Abgrund 1930-1933. Reichsbankpräsident in Krisenzeiten, Berlin (West): Propyläen Verlag.

Lux, Thomas (1995): “Herd Behaviour, Bubbles and Crashes,” *The Economic Journal*, 105 (431), pp. 881-896.

Lynn, Matthew (2010): Bust: Greece, the Euro, and the Sovereign Debt Crisis, New York: Bloomberg Press.

Lynteris, Christos (2011): “The Greek economic crisis as evental substitution,” in: Antonis Vradis and Dimitris Dalakoglou (Eds.): Revolt and Crisis in Greece. Between a Present Yet to Pass and a Future Still To Come, Oakland: AK Press and Occupied London, pp. 207-214.

MacKenzie, Donald and Yuval Millo (2003): “Constructing a Market, Performing Theory: The Historical Sociology of Financial Derivatives Exchange,” *American Journal of Sociology*, 109 (1), pp. 107-145.

MacKenzie, Donald (2008): An Engine, Not a Camera: How Financial Models Shape Markets, Cambridge, MA: MIT Press.

Mackenzie, James and George Georgopoulos (2015): “Independent Greeks emerge as Syriza coalition option,” *Reuters* online, 23 January 2015.  
<<http://www.reuters.com/article/2015/01/23/greece-election-independent-idUSL6N0V22QM20150123>> Accessed 16 April 2015.

Mair, Peter (2013): “Smaghi versus the Parties: Representative Government and Institutional Constraints,” in: Armin Schäfer and Wolfgang Streeck (Eds.): Politics in the Age of Austerity, Cambridge: Polity Press, pp. 143-168.

Mallet, Victor (2010): “Tough new Spanish austerity measures,” *Financial Times* online, 13 May 2010. <<http://www.ft.com/intl/cms/s/91ca42de-5d9e-11df-b4fc-00144feab49a>> Accessed 21 June 2015.

Mandel, Ernest (1978): Late Capitalism, London: Verso Press.

Manganelli, Simone and Guido Wolswijk (2009): “What drives spreads in the euro area government bond market?,” *Economic Policy*, 24 (58), pp. 191-240.

Marazzi, Christian (2008): Capital and Language, Los Angeles: Semiotext(e).

Markovits, Andrei (1986): The Politics of the West German Trade Unions, Cambridge: Cambridge University Press.

Marquart, Maria (2012): “Rezession in der Euro-Zone: China rettet deutsche Exporteure,” *Der Spiegel* online, 26 November 2012. <<http://www.spiegel.de/wirtschaft/unternehmen/exporte-deutsche-firmen-liefern-weniger-in-euro-zone-a-869326.html>> Accessed 26 October 2014

Marsh, David (1992): The most powerful bank. Inside the Bundesbank, New York: Times Books.

Marsh, Sarah and Paul Carrell (2010): “UPDATE 1-Some euro countries lived beyond means-ECB's Weber,” *Reuters* online, 8 December 2010.

<<http://www.reuters.com/article/2010/12/08/eurozone-weber-idUSLDE6B71RY20101208>> Accessed 21 June 2015.

Martens, Michael (2015): “Griechische Flusslehre,” *Frankfurter Allgemeine Zeitung* online, 22 January 2015. <<http://www.faz.net/aktuell/politik/ausland/europa/griechenland-parlamentswahlen-syriza-laut-umfragen-vorn-13385454.html>> Accessed 16 February 2015.

Martin, Robert, Teyanna Munyan and Beth Anne Wilson (2014): “Potential Output and Recessions: Are We Fooling Ourselves?” *IFDP Notes*, 12 November 2014.  
<<http://www.federalreserve.gov/econresdata/notes/ifdp-notes/2014/potential-output-and-recessions-are-we-fooling-ourselves-20141112.html>> Accessed 21 June 2015.

Martin, Nik (AFP) (2015): “Spain's Podemos distances itself from Greece,” *eKathimerini* online, 14 July 2015. <<http://www.ekathimerini.com/199515/article/ekathimerini/news/spains-podemos-distances-itself-from-greece>> Accessed 16 September 2015.

Martin, Michelle (2015): “Greek defence minister – If Greece leaves euro zone, Spain and

Italy would be next: Bild intv,” *Reuters* online, 14 March 2015.  
<<http://in.reuters.com/article/2015/03/14/eurozone-greece-idINKBN0M92NZ20150314>>  
Accessed 16 September 2015.

Mason, Paul (2012): “Greece: Trying to understand Syriza,” *BBC News Europe*, 14 May 2012. <<http://www.bbc.com/news/world-europe-18056677>> Accessed 16 February 2015.

Mason, Paul (2015): “Explaining Yanis Varoufakis, Greece's Anti-Austerity 'rock star',” *VICE* online, 6 July 2015. <<http://www.vice.com/read/paul-mason-yanis-varoufakis-the-global-minotaur-833>> Accessed 10 August 2015.

McCormick, John and Jonathan Olsen (2014): The European Union. Politics and Policies, Boulder: Westview Press.

McDonald, Henry (2013): “Ireland becomes first country to exit eurozone bailout programme,” *The Guardian* online, 13 December 2013.  
<<http://www.theguardian.com/business/2013/dec/13/ireland-first-country-exit-eurozone-bailout>>  
Accessed 21 June 2015.

McKeown, Timothy (1999): “The Global Economy, Post-Fordism, and Trade Policy in Advanced Capitalist States,” in: Herbert Kitschelt, Peter Lange, Gary Marks, John D. Stephens (Eds.): Continuity and Change in Contemporary Capitalism, Cambridge: Cambridge University Press, pp. 11-35.

Megaloudi, Fragkiska (2014): “Greece: Politics, anarchy, and a hunger strike,” *Al Jazeera* online, 10 December 2014. <<http://www.aljazeera.com/indepth/features/2014/12/greece-politics-anarchy-hunger-strike-201412911353374649.html>> Accessed 17 February 2015.

Merk, Olaf and Markus Hesse (2012): “The Competitiveness of Global Port-Cities: The Case of Hamburg,” *OECD Regional Development* Working Paper 2012/06, OECD Publishing.

Mills, C. Wright (2000): The Power Elite, Oxford: Oxford University Press.

Milos, John (2007): “‘The Greek Nation’: An Inherently Totalitarian Concept. Concerns to be borne in Mind during the Reconciliation Process in Cyprus,” *The Cyprus Review*, 19(1), pp. 181-186.

Milos, John (2013): “Neoliberal Europe in Crisis: SYRIZA’s Alternative,” *Studies in Political Economy*, 91, pp. 185-201.

Milos, John (2015): “Austerity Isn’t Irrational,” *Jacobin Magazine* online, 9 June 2015.  
<<https://www.jacobinmag.com/2015/06/syriza-greece-austerity-neoliberalism-tsipras/>> Accessed 14 July 2015.

Minder, Raphael (2012): “In Spain, a Symbol of Ruin at an Airport to Nowhere,” *The New York Times* online, 18 July 2012. <[http://www.nytimes.com/2012/07/19/world/europe/in-spain-a-symbol-of-ruin-at-an-airport-to-nowhere.html?\\_r=0](http://www.nytimes.com/2012/07/19/world/europe/in-spain-a-symbol-of-ruin-at-an-airport-to-nowhere.html?_r=0)> Accessed 12 October 2015.

Minder, Raphael (2014a): “For Spanish Lenders, What A Difference Two Years Make,” *The New York Times Dealbook* online, 27 October 2014.  
<<http://dealbook.nytimes.com/2014/10/27/spanish-lenders/ecb-stress-tests>> Accessed 21 June 2015.

Minder, Raphael (2014b): “Spanish Upstart Party Said It Could, and Did. Now the Hard Part Begins,” *The New York Times* online, 29 May 2014.  
<<http://www.nytimes.com/2014/05/29/world/europe/spanish-upstart-party-said-it-could-and-did>-

[now-the-hard-part-begins.html?\\_r=1](#) Accessed 21 June 2015.

Minsky, Hyman (1982): “The financial-instability hypothesis: capitalist processes and the behavior of the economy,” in: Charles Kindleberger, Jean-Pierre Laffargue (Eds.): Financial Crises. Theory, History, and Policy, Cambridge: Cambridge University Press, pp. 13-47.

Minsky, Hyman (2008): Stabilizing an Unstable Economy, New York: McGraw-Hill Publishing.

Mirowski, Philip (2013): Never Let a Serious Crisis Go to Waste, London: Verso Press.

Mitsopoulos, Michael and Theodore Pelagidis (2011): Understanding the Crisis in Greece, London: Palgrave Macmillan.

Molina, Óscar and Martin Rhodes (2007): “The Political Economy of Adjustment in Mixed Market Economies: A Study of Spain and Italy,” in: Bob Hancké, Martin Rhodes, Mark Thatcher (Eds.): Beyond Varieties of Capitalism, Oxford: Oxford University Press, pp. 223-252.

Moody's (2010a): “Announcement: Moody's Assesses Risk of Sovereign Contagion on Certain European Banking Systems” <[https://www.moodys.com/research/Moodys-Assesses-Risk-of-Sovereign-Contagion-on-Certain-European-Banking—PR\\_198943](https://www.moodys.com/research/Moodys-Assesses-Risk-of-Sovereign-Contagion-on-Certain-European-Banking—PR_198943)> Accessed January 5, 2014.

Moody's (2010b): “Rating Action: Correction to Text, May 5, 2010 Release: Moody's reviews all rated Portuguese banks for possible downgrade.”  
[https://www.moodys.com/research/Correction-to-Text-May-5-2010-Release-Moodys-reviews-all—PR\\_199829](https://www.moodys.com/research/Correction-to-Text-May-5-2010-Release-Moodys-reviews-all—PR_199829). Accessed on 5 January 2014.

Moody's (2013): “Announcement: Moody's: Portugal's banking system outlook remains negative,” 30 October 2013. <[https://www.moodys.com/research/Moodys-Portugals-banking-system-outlook-remains-negative--PR\\_285555](https://www.moodys.com/research/Moodys-Portugals-banking-system-outlook-remains-negative--PR_285555)> Accessed 21 June 2015.

Moore, Suzanne (2015): “The euro 'family' has shown it is capable of real cruelty,” *The Guardian* online, 13 July 2015. <[http://www.theguardian.com/commentisfree/2015/jul/13/euro-family-angela-merkel-greek-bailout?CMP=share\\_btn\\_fb](http://www.theguardian.com/commentisfree/2015/jul/13/euro-family-angela-merkel-greek-bailout?CMP=share_btn_fb)> Accessed 14 July 2015.

Mota, Paulo, Abel Costa Fernandes and Ana-Cristina Niculescu (2015): “The recent sovereign debt crisis in the Euro zone: a matter of fundamentals?” *Acta Oeconomica*, 65(1), pp. 1-25.

Muellbauer, John (2014): “Combatting Eurozone deflation: QE for the people,” *VoxEU* online, 23 December 2014. <<http://www.voxeu.org/article/combatting-eurozone-deflation-qe-people>> Accessed 8 July 2015.

Mullen, Jethro and Catherine Shoichet (2015): “Greece 'leaves behind the austerity that ruined it,' party leader vows after vote,” *CNN* online, 26 January 2015.  
<<http://www.cnn.com/2015/01/25/europe/greece-elections/>> Accessed 14 April 2015.

Müller-Armack, Alfred (1952): “Stil und Ordnung der Sozialen Marktwirtschaft,” in: Nils Goldschmidt and Michael WohlgEuropean Monetary Unionth (Eds.): Grundtexte zur Freiburger Tradition der Ordnungsökonomik, Freiburg: Mohr Siebeck Publishers, pp. 457-466.

Münchau, Wolfgang (2011): “Stop rejoicing. This was no victory for the eurozone,” *Financial Times* online, 11 September 2011. <<http://www.ft.com/cms/s/0/e39dcac6-dae9-11e0-a58b-00144feabdc0.html#axzz3BDyO1GbR>> Accessed 23 August 2014.

Mundell, Robert (1996): "Debt and Deficits in Alternative Macroeconomic Models," in: Mario Baldassari, Robert Mundell and John McCallum (Eds.): Debt, Deficit, and Economic Performance, New York: St. Martin's Press, pp. 5-130.

Murray-Brown, John and Neil Dennis (2008): "Ireland guarantees six banks' deposits," *Financial Times* online, 30 September 2008. <<http://www.ft.com/intl/cms/s/2124f8f4-8eb9-11dd-946c-0000779fd18c>> Accessed 21 June 2015.

Nadeau, Barbie (2010): "Naples suffers as garbage piles up," *Newsweek* online, 27 October 2010. <<http://www.newsweek.com/naples-suffers-garbage-piles-73753>> Accessed 30 January 2016.

Nelson, Rebecca, Paul Belkin, Derek Mix and Martin Weiss (2012): "The Eurozone Crisis: Overview and Issues for Congress," Congressional Research Service *Report for Congress*, No. R42377, 26 September 2012. <<http://fas.org/sgp/crs/row/R42377.pdf>> Accessed 14 August 2014.

Neuerer, Dietmar (2014): "Bundesregierung sieht Exportplus als Problem," *Handelsblatt*, 5 March 2014. <<http://www.handelsblatt.com/politik/deutschland/aussenhandel-bundesregierung-sieht-exportplus-als-problem/9570660.html>> Accessed 5 December 2015.

New York Times Editorial Board (2014): "Portugal's Banking Disaster," *The New York Times* online, 6 August 2014. <[http://www.nytimes.com/2014/08/07/opinion/portugals-banking-disaster.html?\\_r=0](http://www.nytimes.com/2014/08/07/opinion/portugals-banking-disaster.html?_r=0)> Accessed 8 December 2015.

New York Times Editorial Board (2015): "Greece's Agonized Cry to Europe," *The New York Times* online, 26 January 2015. <[http://www.nytimes.com/2015/01/27/opinion/greeces-agonized-cry-to-europe.html?-r=0&\\_r=0](http://www.nytimes.com/2015/01/27/opinion/greeces-agonized-cry-to-europe.html?-r=0&_r=0)> Accessed 9 April 2015.

Nietzsche, Friedrich (1887/1989): "On the Genealogy of Morals," in: idem. and Walter Kaufmann (ed): On The Genealogy of Morals and Ecce Homo, New York: Vintage Books, pp. 13-198.

Norris, Floyd (2012): "Germany vs. the Rest of Europe," *The New York Times* online, 16 February 2012. <<http://www.nytimes.com/2012/02/17/business/global/the-rest-of-europe-vs-germany.html>> Accessed 9 March 2016.

North, Douglass (1991): "Institutions," *Journal of Economic Perspectives*, 5 (1), pp. 97-112.

Nowak, Olaf (2012): "EU and Member States' balance of payments during the economic turmoil," Eurostat *Statistics in Focus*, No. 32/2012. <[http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-SF-12-032/EN/KS-SF-12-032-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-12-032/EN/KS-SF-12-032-EN.PDF)> Accessed 17 August 2014.

Occupied London Collective (2010a): "What do we honestly have to say about Wednesday's events?", 7 May 2010. <<http://blog.occupiedlondon.org/2010/05/07/what-do-we-honestly-have-to-say-about-wednesdays-events/>> Accessed 8 December 2013.

Occupied London Collective (2010b): "Names of the dead announced; bank workers strike today in memory; police launch unprecedeted attacks in Athens", 6 May 2010. <<http://blog.occupiedlondon.org/2010/05/06/281-names-of-the-dead-announced-bank-workers-strike-today-in-memory-police-launch-unprecedeted-attacks-in-athens/>> Accessed 8 December 2013.

OECD (2005): OECD Territorial Reviews, Athens, Greece, Paris: OECD Publishing.

OECD (2010): OECD Tourism Trends and Policies 2010, Paris: OECD Publishing.

OECD (2015): “Average annual wages,” 2015. (Dataset AV\_AN\_WAGE). <[https://stats.oecd.org/Index.aspx?DataSetCode=AV\\_AN\\_WAGE](https://stats.oecd.org/Index.aspx?DataSetCode=AV_AN_WAGE)> Accessed 21 June 2015.

Olgu, Özlem (2012): European banking: enlargement, structural changes and recent developments, London: Palgrave Macmillan.

P.W. (2013): “European banks: From bail-out to bail-in,” *The Economist Free Exchange* Blog, 14 December 2013 <<http://www.economist.com/blogs/freeexchange/2013/12/european-banks>> Accessed 1 August 2014.

Palaiologos, Yannis (2013): “As Greece Struggles with Debt Crisis, Its Shipping Tycoons Still Cut a Profit,” *TIME* online, 16 May 2013.<<http://world.time.com/2013/05/16/amid-recession-and-crisis-greeces-shipping-industry-booms/>> Accessed 15 April 2015.

Palcic, Dónal and Eoin Reeves (2011): Privatisation in Ireland. Lessons from a European Economy, London: Palgrave Macmillan.

Panizza, Ugo, Federico Sturzenegger and Jeromin Zettelmeyer (2009): “The Economics and Law of Sovereign Debt and Default,” *Journal of Economic Literature*, 47 (3), pp. 651-698.

Panizza, Ugo (2010): “Is Domestic Debt the Answer to Debt Crises,” in: Barry Herman, José Ocampo and Shari Spiegel (Eds.): Overcoming Developing Country Debt Crises, Oxford: Oxford University Press, pp. 91-107.

Panopticon Journals, The Foreigner's Publications, Stasei Ekpiptontes Publications, Exarcheia Publications, Black Pepper of the Evian Gulf, Nixtegersia Magazine (2010): “Anarchy is struggle for life, not death,” Occupied London (tr.), 8 May 2010. <<http://blog.occupiedlondon.org/2010/05/08/284-anarchy-is-struggle-for-life-not-death/>> Accessed 8 December 2012.

Paoletti, Emanuela (2011): The Migration of Power and North-South Inequalities. The Case of Italy and Libya, London: Palgrave Macmillan.

Papadimas, Lefteris and Renee Maltezou (2010): “Greek anti-austerity march erupts in violence, 3 dead,” *Reuters* online, 5 May 2010. <<http://www.reuters.com/article/2010/05/05/us-greece-idUSTRE6441N620100505>> Accessed 15 February 2015.

Papadimitropoulos, Panagiotis (2010): “You talk about material damages, we speak about human life: perceptions of violence among Greek anarchist groups,” in: A. G. Schwarz, Tasos Sagris, and Void Network (Eds.): We are an image from the future: the Greek revolt of December 2008, Oakland: AK Press, pp. 57-72.

Papadimitriou, Dimitri, L. Randall Wray and Yeva Nersisyan (2010): “Endgame for the Euro? Without major restructuring, the Eurozone is doomed,” *Levy Economics Institute Public Policy Brief* No. 113. <[http://www.levyinstitute.org/pubs/ppb\\_113.pdf](http://www.levyinstitute.org/pubs/ppb_113.pdf)> Accessed 26 October 2014.

Papanikos, Gregory T. (2015): “With Greece backing euro but Syriza in government, another election may beckon,” *The Conversation*, 26 January 2015. <<http://theconversation.com/with-greece-backing-euro-but-syriza-in-government-another-election-may-beckon-36718>> Accessed 14 April 2015.

Paraskevopoulos, Theodoros and Friedbert Meurer: “Wir haben das ausgerechnet,” Interview of Theodoros Paraskevopoulos by Friedbert Meurer, *Deutschlandfunk*, 27 January 2015. <<http://www.deutschlandfunk.de/syriza-politiker-paraskevopoulos-wir-haben-das->>

ausgerechnet.694.de.html?dram:article\_id=309842> Accessed on 14 April 2015.

Paries, Matthieu, Laurent Martin, and Diego Moccero (2014): "Financial Conditions Index and Credit Supply Shocks for the Euro Area," *European Central Bank Working Paper* No. 1644, March 2014. <<http://www.ecb.europa.eu/pub/pdf/scpwps/ecbwp1644.pdf>> Accessed 14 August 2014.

Pascual-Ramsay, Ángel (2014): "Spain: A New Quest for Growth," in: Kemal Dervis and Jacques Mistral (Eds.): Europe's Crisis, Europe's Future, Washington, DC: Brookings Press, pp. 45-63.

Pauly, Christoph, Christian Reiermann and Christoph Schult (2014): "The Greek Patient: Europe Debates Third Bailout Package for Athens," *Der Spiegel International* online, 1 December 2014. <<http://www.spiegel.de/international/europe/euro-zone-debate-third-bailout-package-for-greece-a-1005977.html>> Accessed 7 February 2015.

Pere (2010): "In Barcelona, we quickly organized a solidarity protest," in: A. G. Schwarz, Tasos Sagris, and Void Network (Eds.): We are an image from the future: the Greek revolt of December 2008, Oakland: AK Press, pp. 186-187.

pfd/cmk (2015): "EU wakes up to euro uncertainty following Syriza's victory in Greece," *Deutsche Welle*, 26 January 2015. <<http://www.dw.de/eu-wakes-up-to-euro-uncertainty-following-syrizas-victory-in-greece/a-18214228>> Accessed 14 April 2015.

Phillips, Matt and Emese Bartha (2012): "German Yields South of Zero," *The Wall Street Journal* online, 10 January 2012  
<<http://online.wsj.com/news/articles/SB10001424052970204124204577150311730396748>> Accessed 8 August 2014.

Piketty, Thomas (2014): Capital in the Twenty-First Century, Cambridge, MA: Belknap Press.

Pogge, Thomas (2002): World Poverty and Human Rights, Malden: Blackwell Publishers.

Polavieja, Javier (2003): "Temporary Contracts and Labour Market Segmentation in Spain," *European Sociological Review*, 19 (5), pp. 501-517.

Polanyi, Karl (2001): The Great Transformation, Boston: Beacon Press.

Pollack, Lisa (2012): "Regional debt in Italy is not like regional debt in Spain," *Financial Times Alphaville* blog, 31 July 2012. <<http://ftalphaville.ft.com/2012/07/31/1102251/regional-debt-in-italy-is-not-like-regional-debt-in-spain/>> Accessed 21 June 2015.

Ponticelli, Jacopo and Hans-Joacim Voth (2011): "Austerity and Anarchy: Budget Cuts and Social Unrest in Europe, 1919-2009," *CEPR Discussion Paper* No. 8513.

Porter, Eduardo: "Germans Forget Postwar History Lesson on Debt Relief in Greece Crisis," *The New York Times* online, 7 July 2015.  
<<http://www.nytimes.com/2015/07/08/business/economy/germanys-debt-history-echoed-in-greece.html?action=click&contentCollection=International per cent20Business&module=RelatedCoverage&region=Marginalia&pgtype=article>> Accessed 7 July 2015.

Praet, Peter (2014): "Repairing the bank lending channel: the next steps," Speech by Peter Praet, Member of the Executive Board of the ECB, at European Macro Conference organized by Credit Suisse, London, 17 November 2014.

<[https://www.ecb.europa.eu/press/key/date/2014/html/sp141117\\_1.en.html](https://www.ecb.europa.eu/press/key/date/2014/html/sp141117_1.en.html)> Accessed 21 June 2015.

Price, Matthew (2012): “Greece's poor queue for food aid in Athens,” *BBC News*, 9 March 2012. <<http://www.bbc.com/news/world-europe-17299660>> Accessed 15 April 2015.

Psacharopoulos, George and Andreas Kazamias (1980): “Student activism in Greece: A historical and empirical analysis,” *Higher Education*, 9 (2), pp. 127-138.

Pusch, Toralf (2012): “The Role of Uncertainty in the Euro Crisis – A Reconsideration of Liquidity Preference Theory,” *Discussion Paper*, Zentrum für Ökonomische und Soziologische Studien, Universität Hamburg.

Quaglia, Lucia (2008): Central Banking Governance in the European Union, New York: Routledge Publishing.

Quiggin, John (2012): Zombie Economics, Princeton: Princeton University Press.

Rachmann, Gideon (2012): “No alternative to austerity,” *Financial Times* online, 30 April 2012. <<http://www.ft.com/cms/s/0/7864786c-92aa-11e1-b6e2-00144feab49a.html>> Accessed 27 December 2015.

Reiermann, Christian (2008): “Fixing the Labor Market: Schröder Reforms Bear Fruit in German Recovery,” Spiegel International online, 15 January 2008.

<<http://www.spiegel.de/international/business/fixing-the-labor-market-schroeder-reforms-bear-fruit-in-german-recovery-a-528757.html>> Accessed 24 October 2015.

Reis, Ricardo (2013): “The Portuguese Slump and Crash and the Euro Crisis,” *Brookings Papers on Economic Activity*, Spring 2013, pp. 143-180.

Remmert, Jochen (2011): “Hessens Wirtschaft wächst auch 2012,” *Frankfurter Allgemeine Zeitung* online, 2 December 2011. <<http://www.faz.net/konjunkturprognose-hessens-wirtschaft-waechst-auch-2012-11548253.html>> Accessed 16 January 2015.

Rentsch, Florian (2012): “Wir müssen nichts künstlich erzeugen,” Interview with IHK Hessen, Document No. 11258, September 2012. <[http://m.ihk-wiesbaden.de/s/presse/print-online/IHK\\_Magazin/Ausgewahlte\\_Beitraege/2050074/Im\\_Gespraech\\_Hessens\\_Wirtschaftsminister\\_Florian\\_Rentsch.html?view=mobile](http://m.ihk-wiesbaden.de/s/presse/print-online/IHK_Magazin/Ausgewahlte_Beitraege/2050074/Im_Gespraech_Hessens_Wirtschaftsminister_Florian_Rentsch.html?view=mobile)> Accessed 16 January 2015.

REWE Group (2014): Future Places – Future Markets. REWE Group Annual Report 2013, Section “Key Figures 2013.” <[http://rewe-group-geschaeftsbericht.de/2013/en/pdf/REWE\\_Group\\_Key\\_Figures\\_2013.pdf](http://rewe-group-geschaeftsbericht.de/2013/en/pdf/REWE_Group_Key_Figures_2013.pdf)> Accessed 2 November 2014.

Roitman, Janet (2014): Anti-Crisis, Durham: Duke University Press.

Rombach, Anna (2013): “Eastern European migrant workers face slave labour in Germany,” *World Socialist Web Site*, 30 August 2013. <<http://www.wsws.org/en/articles/2013/08/30/germ-a30.html>> Accessed 2 November 2014.

Ronzheimer, Paul and George Kalozois (2010): “BILD gibt den Pleite-Griechen die Drachmen zurück,” *BILD* online, April 27, 2010  
<<http://www.bild.de/politik/wirtschaft/griechenland/bild-gibt-den-pleite-griechen-die-drachmen-zurueck-12338432.bild.html>> Retrieved April 10, 2014.

Röpke, Wilhelm (1942): Die Gesellschaftskrisis der Gegenwart, Erlenbach: Eugen Rentsch

Press.

Rotfuss, Waldemar and Peter Westerheide (2008): Höhe und Struktur der Vermögen privater Haushalte. Baden-Württemberg im Vergleich der Bundesländer, Mannheim: Zentrum für Europäische Wirtschaftsforschung. <[ftp://ftp.zew.de/pub/zew-docs/gutachten/Vermoege\\_Baden-Wuerttemberg.pdf](ftp://ftp.zew.de/pub/zew-docs/gutachten/Vermoege_Baden-Wuerttemberg.pdf)> Accessed 24 October 2015.

Roth, Karl-Heinz (2010): “Global Crisis – Global Proletarianization – Counter-perspectives,” in: Andrea Fumagalli and Sandro Mezzadra (Eds.): Crisis in the Global Economy, Los Angeles: Semiotext(e), pp. 197-236.

Royo, Sebastián (2008): Varieties of Capitalism in Spain. Remaking the Spanish Economy for the New Century. London: Palgrave Macmillan.

RT (2014): “Basque town votes in referendum on independence from Spain,” *RT* online, 13 April 2014. <<http://rt.com/news/basque-country-referendum-vote-272/>> Accessed 21 June 2015.

Sabel, Charles (1994): “Flexible Specialization and the Re-emergence of Regional Economies,” in: Ash Amin (Ed.): Post-Fordism: A Reader, Oxford and Malden: Blackwell Publishing, pp. 101-156.

Sakellaropoulos, Spyros (2012): “On the Causes and Significance of the December 2008 Social Explosion in Greece,” *Science & Society*, 76 (3), pp. 340-364.

Samaras, Antonis (2012): “Address by the Prime Minister of Greece, Antonis Samaras to the PPE-Europarliment Group Meeting in Malta,” 15 November 2012.

<<http://www.primeminister.gov.gr/english/2012/11/15/address-by-the-prime-minister-of-greece-antonis-samaras-to-the-ppe-europarliment-group-meeting-in-malta/>> Accessed 15 April 2015.

Sardoni, C. and Wray, L. Randall (2006): “Monetary policy strategies of the European Central Bank and the Federal Reserve bank of the United States,” *Journal of Post Keynesian Economics*, 28 (3), pp. 451-472.

SAREB (2015): About SAREB. <<https://www.sareb.es/en-en/about-sareb/Pages/What-is-Sareb.aspx>> Accessed 21 June 2015.

Saunders, Doug (2010): “Ireland’s crisis lends a boost to Sinn Fein,” *The Globe and Mail* online, 25 November 2010. <<http://www.theglobeandmail.com/news/world/irelands-crisis-lends-a-boost-to-sinn-fein/article563033/>> Accessed 21 June 2015.

Saussure, Ferdinand de (1983): Course in general linguistics, London: Duckworth Press.

Schäfer, Armin and Wolfgang Streeck (2013): “Introduction – politics in the age of austerity,” in: idem. (Eds.): Politics in the age of austerity, Cambridge: Polity Press.

Schäfers, Manfred (2014): “Umverteilung auf Rekordniveau: Nur noch drei Länder zahlen im Finanzausgleich,” *Frankfurter Allgemeine Zeitung* online, 16 January 2014. <<http://www.faz.net/aktuell/wirtschaft/wirtschaftspolitik/umverteilung-auf-rekordniveau-nur-noch-drei-laender-zahlen-im-finanzausgleich-12755129.html>> Accessed 27 October 2014.

Schäuble, Wolfgang (2011): “Why austerity is only cure for the eurozone,” *Financial Times* online, 5 September 2011. <<http://www.ft.com/cms/s/0/97b826e2-d7ab-11e0-a06b-00144feabdc0.html>> Accessed 8 July 2015.

Schiaffino, Pablo (2013): “A comment on the European Central Bank solution vs. the Keynes solution,” *Journal of Post Keynesian Economics*, 35 (3), pp. 457-462.

Schild, Joachim (2013): "Leadership in hard times. Germany, France, and the Management of the Eurozone Crisis," *German Politics and Society*, 106 (31), pp. 24-47.

Schlupp, Frieder (1992): "World-Market Strategy and World-Power Politics: German Europeanization and Globalization Projects in the 1990s," in: William Graf (Ed): The Internationalization of the German Political Economy. Evolution of a Hegemonic Project, New York: St. Martin's Press, pp 307-346.

Schmid, Stefan and Philipp Grosche (2008): "Glokale Wertschöpfung im Volkswagen-Konzern – Auf dem Weg zu mehr Dezentralisierung bei Produktion und Entwicklung," *ESCP-EAP Working Paper* No. 41. <[http://www.escp-eap.eu/uploads/media/WP-41\\_Schmid-Grosche\\_Volkswagen\\_01.pdf](http://www.escp-eap.eu/uploads/media/WP-41_Schmid-Grosche_Volkswagen_01.pdf)> Accessed 15 January 2015.

Schmitt, Carl (1932/2007): The Concept of the Political, Chicago: Chicago University Press.

Schroeder, Klaus (2004): "Die Explosion des Wohlstands," *Frankfurter Allgemeine Zeitung* online, 22 September 2004. <<http://www.faz.net/aktuell/politik/ostdeutschland-die-explosion-des-wohlstands-1171701.html>> Accessed 27 October 2014.

Schuknecht, Ludger, Jürgen von Hagen and Guido Wolswijk (2010): "Government Bond Risk Premiums in the EU Revisited. The Impact of the Financial Crisis," *ECB Working Paper* No. 1152, February 2010. <<https://www.ecb.europa.eu/pub/pdf/scpwps/ecbwp1152.pdf>> Accessed 24 October 2015.

Schüler, Martin (2002): "The Threat of Systemic Risk in European Banking," *Quarterly Journal of Business and Economics*, 41 (3/4), pp. 145-165.

Schwartz, Nelson and Eric Dash (2010): "Greek Debt Woes Ripple Outward, From Asia to U.S.," *The New York Times* online, May 8, 2010  
<<http://www.nytimes.com/2010/05/09/business/global/09ripple.html>> Accessed January 5, 2014.

Schwarz, A. G. (2010): "The Spirit of December Spread Round the World," in: A. G. Schwarz, Tasos Sagris, and Void Network (Eds.): We are an image from the future: the Greek revolt of December 2008, Oakland: AK Press, pp. 219-224.

Schwarz, A. G., Tasos Sagris, and Void Network: "The Political Parties After December," in: A. G. Schwarz, Tasos Sagris, and Void Network (Eds.): We are an image from the future: the Greek revolt of December 2008, Oakland: AK Press, pp. 305-306.

Serres, Michel (2014): Times of Crisis. What the Financial Crisis Revealed and How to Reinvent our Lives and Future, New York: Bloomsbury Publishing.

Shambaugh, Jay (2012): "The Euro's Three Crises" (with comments and discussion), *Brookings Papers on Economic Activity*, 2012 (1), pp. 157-231.

Shields, Michael, Maria Sheahan, David Cutler, David Holmes (2011): "Timeline: Twists and turns in Opel's ownership," *Reuters* online, 9 June 2011.  
<<http://www.reuters.com/article/2011/06/09/us-opel-gm-sale-idUSTRE7582HX20110609>> Accessed 2 November 2014.

Shoichet, Catherine and Jim Boulden (2014): "That 'earthquake' in Europe? It's far-right gains in Parliament elections," *CNN* online, 26 May 2014.  
<<http://www.cnn.com/2014/05/25/world/europe/eu-elections/>> Accessed 11 February 2015.

Shotter, James, Matt Steinglass and Richard Milne (2013): "Austerity support frays at edges

among EU smaller fiscal hawks," *Financial Times* online, 26 June 2013.  
<<http://www.ft.com/cms/s/0/2559506a-de5e-11e2-b990-00144feab7de.html>> Accessed 6 July 2015.

Siemens (2013): Additional Sustainability Information to the Siemens Annual Report 2013.  
<[http://www.siemens.com/about/sustainability/pool/en/current-reporting/siemens\\_ar2013\\_sustainability\\_information.pdf](http://www.siemens.com/about/sustainability/pool/en/current-reporting/siemens_ar2013_sustainability_information.pdf)> Accessed 3 November 2014.

Simó, Montserrat and Gemma Vilà (2012): "Social Effects of the Crisis: Residential Mobility and Urban Sprawl in the Metropolitan Region of Barcelona (Spain)," in: Ulrike Schuerkens (Ed.): Socioeconomic Outcomes of the Global Financial Crisis, New York: Routledge Publishing, pp. 86-109.

Sinn, Hans-Werner (2006): "The Pathological Export Boom and the Bazaar Effect: How to Solve the German Puzzle," *The World Economy*, 2006 (1), pp. 1157-1175.

Smale, Alison and Liz Alderman (2014): "Germany's Insistence on Austerity Meets With Revolt in the Eurozone," *The New York Times* online, 7 October 2014.  
<[http://www.nytimes.com/2014/10/08/business/rift-opens-among-eurozone-leaders-over-germany-s-insistence-on-austerity.html?\\_r=0](http://www.nytimes.com/2014/10/08/business/rift-opens-among-eurozone-leaders-over-germany-s-insistence-on-austerity.html?_r=0)> Accessed 15 January 2015.

Smeral, Egon (2009): "The Impact of the Financial and Economic Crisis on European Tourism," *Journal of Travel Research*, 48 (1), pp. 3-13.

Smith, Aaron (2012): "Spain's Jobless Rate Hits Record high," *CNN Money* online, 27 April 2012. <<http://money.cnn.com/2012/04/27/news/economy/spain-jobs-growth/>> Accessed 21 June 2015.

Smith, Helena (2010): "The Greek spirit of resistance turns its guns on the IMF," *The Guardian* online, 8 May 2010. <<http://www.theguardian.com/world/2010/may/09/greece-debt-crisis-euro-imf>> Accessed 15 February 2015.

Smith, Helena (2011a): "Greek taxi drivers disrupt tourists in protest at deregulation," *The Guardian* online, 18 July 2011. <<http://www.theguardian.com/world/2011/jul/18/greek-taxi-drivers-disrupt-tourists>> Accessed 16 April 2015.

Smith, Helena (2011b): "Greek economic crisis turns tragic for children abandoned by their families," *The Guardian* online, 28 December 2011.  
<<http://www.theguardian.com/world/2011/dec/28/greek-economic-crisis-children-victims>> Accessed 15 April 2015.

Soltwedel, Rüdiger, Dirk Dohse and Christiane Krieger-Boden (1999): "European Monetary Union Challenges European Labor Markets," *IMF Working Paper*, 99/131.

Spiegel, Peter (2014): "Leaked 'issues note': Who pays for EU bank bailouts?" *Financial Times* Brussels Blog, 14 February 2014 <<http://blogs.ft.com/brusselsblog/2014/02/14/leaked-issues-note-who-pays-for-eu-bank-bailouts/>> accessed 1 August 2014.

Stamouli, Nektaria (2015): "Greece's Syriza Will Hold Emergency Congress in September," *The Wall Street Journal* online, 30 July 2015. <<http://www.wsj.com/articles/greek-prime-minister-alexis-tsipras-calls-for-syriza-party-vote-to-address-divisions-over-bailout-1438264372>> Accessed 16 September 2015.

Steen, Michael (2012): "Weidmann isolated as ECB plan approved," *Financial Times* online, 6 September 2012. <<http://www.ft.com/intl/cms/s/0/3651b028-f846-11e1-b0e1>-

00144feabdc0.html#axzz3EcNdzOOk> Accessed 18 September 2014.

Steinhauser, Gabriele and Tom Fairless (2015): “Greece Requests Three-Year Bailout in First Step Toward Meeting Creditors' Demand,” *The Wall Street Journal* online, 8 July 2015. <<http://www.wsj.com/articles/greek-prime-minister-pledges-concrete-proposals-to-bridge-creditor-impasse-1436348229>> Accessed 16 January 2016.

Stiglitz, Joseph (2010): “Sovereign Debt: Notes on Theoretical Frameworks and Policy Analyses,” in: Barry Herman, José Ocampo and Shari Spiegel (Eds.): Overcoming Developing Country Debt Crises, Oxford: Oxford University Press, pp. 35-69.

Strange, Susan (1998): Mad Money, Minneapolis: University of Michigan Press.

Streeck, Wolfgang (2013): “The Crisis in Context: Democratic Capitalism and its Contradictions,” in: idem. and Armin Schäfer (Eds.): Politics in the Age of Austerity, Cambridge: Polity Press, pp. 262-286.

Streeck, Wolfgang (2014): Buying Time. The Delayed Crisis of Democratic Capitalism, London: Verso Press.

Streeck, Wolfgang (2015): “Out of the Euro!”, *Verso blog* post, 18 March 2015. <<http://www.versobooks.com/blogs/1917-wolfgang-streeck-out-of-the-euro>> Accessed 10 April 2015.

Streeck, Wolfgang (forthcoming): How Will Capitalism End? London: Verso Press.

Streeck, Wolfgang and Anke Hassel (2003): “The Crumbling Pillars of Social Partnership,” *West European Politics*, 26 (4), pp. 101-124.

Streeck, Wolfgang and Daniel Mertens (2013): “Public finance and the decline of state capacity in democratic capitalism,” in: Wolfgang Streeck and Armin Schäfer (Eds.): Politics in the Age of Austerity, Cambridge: Polity Press, pp. 26-58.

Sutton, Chavon (2010): “S&P downgrades Greek debt to junk status,” *CNN Money* online, 27 April 2010. <[http://money.cnn.com/2010/04/27/news/international/Greece\\_debt\\_downgraded/](http://money.cnn.com/2010/04/27/news/international/Greece_debt_downgraded/)> Accessed 21 June 2015.

SYRIZA (2014): “Konstantina Kuneva, one of SYRIZA candidates for the European Parliament,” *Press Release*, 13 May 2014. <[http://www.syriza.gr/article/id/56305/Konstantina-Kuneva-one-of-SYRIZA-candidates-for-the-European-Parliament.html#.VS\\_pvSVuVs](http://www.syriza.gr/article/id/56305/Konstantina-Kuneva-one-of-SYRIZA-candidates-for-the-European-Parliament.html#.VS_pvSVuVs)> Accessed 16 April 2015.

Teevs, Christian (2010): “Ungeliebter Zuschlag: Verfassungsrichter weisen Soli-Einspruch zurück,” *Der Spiegel* online, 23 September 2010. <<http://www.spiegel.de/wirtschaft/soziales/ungeliebter-zuschlag-verfassungsrichter-weisen-soli-einspruch-zurueck-a-719089.html>> Accessed 15 January 2015.

The Economist (2012a): “Slow steaming, uphill,” *The Economist* online, 1 August 2012. <<http://www.economist.com/blogs/schumpeter/2012/08/shipping-industry>> Accessed 30 January 2016.

The Economist (2012b): “Germany's federal states: Givers and takers,” *The Economist* online, 27 October 2012. <<http://www.economist.com/news/europe/21565253-germans-fear-european-transfer-union-because-they-hate-their-own-one-givers-and-takers>> Accessed 2 November 2014.

- The Economist (2013): "Wunderreform," *The Economist* online, 16 March 2013. <<http://www.economist.com/news/europe/21573583-ten-years-how-does-germanys-agenda-2010-package-rate-wunderreform>> Accessed 24 October 2015.
- The Hooded One (2010): "Koukouloforos," in: A. G. Schwarz, Tasos Sagris, and Void Network (Eds.): We are an image from the future: the Greek revolt of December 2008, Oakland: AK Press, pp. 216-219.
- Tholl, Max (2014): "Home is where the hardship is," *The European* online, 2 May 2014. <<http://en.theeuropean.eu/max-tholl-per-centE2-per-cent80-per-cent944/8399-europes-youth-unemployment-and-migration>> Accessed 2 November 2014.
- Thompson, Christopher (2014): "Bank deleveraging slows as eurozone recovers," *Financial Times* online, 26 January 2014. <<http://www.ft.com/cms/s/0/2fdeb32-8513-11e3-8968-00144feab7de.html#axzz3AfLywqXL>> Accessed 17 August 2014.
- Thompson, E.P. (1993): Customs in Common, New York: The New Press.
- To Vima (2014): "Giorgios Papandreu cheered on at tense PASOK anniversary event," *To Vima* online, 2 September 2014. <<http://www.tovima.gr/en/article/?aid=627457>> Accessed 15 April 2014.
- To Vima (2015): "The Ministers in Alexis Tsipras' cabinet with ANEL support," *To Vima* online, 26 January 2015. <<http://www.tovima.gr/en/article/?aid=670738>> Accessed 16 April 2015.
- Totaro, Lorenzo (2014): "Italy unemployment falls as youth jobless hits record," *Bloomberg Business* online, 31 July 2014. <<http://www.bloomberg.com/news/articles/2014-07-31/italy-unemployment-falls-as-youth-jobless-hits-record>> Accessed 21 June 2015.
- Tooze, Adam (2006): The Wages of Destruction. The Making and Breaking of the Nazi Economy, New York: Allen Lane Publishing.
- TPTG (2010): "In critical and suffocating times – TPTG on May 5th," Occupied London (tr.), 10 May 2010. <<http://blog.occupiedlondon.org/2010/05/10/287-in-critical-and-suffocating-times-tptg-on-may-5th/>> Accessed 8 December 2013.
- TPTG (2011a): "The rebellious passage of a proletarian minority through a brief period of time," in: Antonis Vradis and Dimitris Dalakoglou (Eds.): Revolt and Crisis in Greece. Between a Present Yet to Pass and a Future Still To Come, Oakland: AK Press and Occupied London, pp. 115-132.
- TPTG (2011b): "Burdened with debt: 'Debt crisis' and class struggles in Greece," in: Antonis Vradis and Dimitris Dalakoglou (Eds.): Revolt and Crisis in Greece. Between a Present Yet to Pass and a Future Still To Come, Oakland: AK Press and Occupied London, pp. 245-278.
- Trading Economics (2014): "Germany Personal Savings, 1960-2014," 2014 (Data provided by Deutsche Bundesbank). <<http://www.tradingeconomics.com/germany/personal-savings>> Accessed 11 September 2014.
- Traynor, Ian (2015): "Greece nears euro exit as bailout talks break up without agreement," *The Guardian* online, 11 July 2015. <<http://www.theguardian.com/world/2015/jul/11/greece-euro-exit-bailout-alexis-tsipras>> Accessed 14 July 2015.
- Tremlett, Giles (2009): "Building boom reduced to ruins by collapse of Spain's economic miracle," *The Guardian* online, 18 January 2009.

<<http://www.theguardian.com/world/2009/jan/19/spain-construction-recession>> Accessed 21 June 2015.

Tremlett, Giles (2013): "Spain: the pain of austerity deepens," *The Guardian* online, 1 January 2013. <<http://www.theguardian.com/world/2013/jan/01/spain-pain-austerity-deepens>> Accessed 21 June 2015.

Trocchi, Alex (2011): "For the insurrection to succeed, we must first destroy ourselves," in: Antonis Vradis and Dimitris Dalakoglou (Eds.): Revolt and Crisis in Greece. Between a Present Yet to Pass and a Future Still To Come, Oakland: AK Press and Occupied London, pp. 299-328.

Troianovsky, Anton and Andrea Thomas (2015): "Germany's Schauble Deeply Skeptical Of Greek Plan," *The Wall Street Journal* online, 16 July 2015.

<<http://www.wsj.com/articles/germanys-schauble-dismisses-greek-haircut-option-1437032027>> Accessed 5 August 2015.

Tsipras, Alexis (2014): "Interview with the European Left," 14 May 2014.  
<<http://www.european-left.org/fr/node/2548>> Accessed 16 April 2015.

Turner, Sarah (2011): "EU agrees debt deal; 50 per cent Greek debt haircut," *marketwatch.com*. <<http://www.marketwatch.com/story/greek-bondholders-to-take-50-haircut-2011-10-26>> Accessed 10 August 2014.

Twin, Alexandra (2010): "Glitches send Dow on wild ride," *CNN Money* online, May 6, 2010 <[http://money.cnn.com/2010/05/06/markets/markets\\_newyork/](http://money.cnn.com/2010/05/06/markets/markets_newyork/)> Accessed January 5, 2014.

Van Dyck, Karen (1998): Kassandra and the Censors: Greek Poetry Since 1967, Ithaca: Cornell University Press.

Van Hook, James (2004): Rebuilding Germany. The creation of the social market economy 1945-1957, Cambridge: Cambridge University Press.

Van Rijckeghem, Caroline and Beatrice Weder (2009): "Political Institutions and Debt Crises," *Public Choice*, 138, pp. 387-408.

Varoufakis, Yanis (2010): "Viewpoint: Greece's austerity measures doomed to fail," *BBC News*, 23 November 2010. <<http://www.bbc.com/news/world-europe-11818910>> Accessed 15 April 2015.

Varoufakis, Yanis (2015a): "No Time for Games in Europe," *The New York Times* online, 16 February 2015. <[http://www.nytimes.com/2015/02/17/opinion/yanis-varoufakis-no-time-for-games-in-europe.html?\\_r=0](http://www.nytimes.com/2015/02/17/opinion/yanis-varoufakis-no-time-for-games-in-europe.html?_r=0)> Accessed 16 April 2015.

Varoufakis, Yanis (2015b): The Global Minotaur: America, Europe and the Future of the Global Economy, Zed Books.

Varoufakis, Yanis and Harry Lambert (2015): "Yanis Varoufakis full transcript: our battle to save Greece," *New Statesman* online, 13 July 2015. <<http://www.newstatesman.com/world-affairs/2015/07/yanis-varoufakis-full-transcript-our-battle-save-greece>> Accessed 27 December 2015.

Verdun, Amy (2012): "Foreword," in: Petros Nousios, Henk Overbeek and Andreas Tsolakis (eds): Globalisation and European Integration: critical approaches to regional order and international relations, New York: Routledge Publishing, pp. Xvi-xxiii.

Vetter, Stefan and Jan Fritzsche (2014): "Chart in focus: Sub-sovereign debt in Europe",

*Deutsche Bank Research*, 1 July 2014.  
<[http://www.dbresearch.com/servlet/reweb2.ReWEB;jsessionid=8B571F93382D952F5B0BBAE12795BFD3.srv-net-dbr-com?rwsite=DBR\\_INTERNET\\_EN-PROD&rwoj=ReDisplay.Start.class&document=PROD0000000000337911](http://www.dbresearch.com/servlet/reweb2.ReWEB;jsessionid=8B571F93382D952F5B0BBAE12795BFD3.srv-net-dbr-com?rwsite=DBR_INTERNET_EN-PROD&rwoj=ReDisplay.Start.class&document=PROD0000000000337911)> Accessed 21 June 2015.

Visvizi, Anna (2012): “The Crisis in Greece and the EU-IMF Rescue Package: Determinants and Pitfalls,” *Acta Oeconomica*, 62 (1), pp. 15-39.

von der Hagen, Hans and Benjamin Romberg (2015): “Immer den Staat im Nacken,” *Süddeutsche Zeitung*, 8. Januar 2015, p. 20.

Wainwright, Hilary (2014): “Transformative Power. Lessons from the Greek Crisis and Beyond,” in: Leon Fink, Joseph McCartin, Joan Sangster (Eds.): Workers in Hard Times, University of Illinois Press, pp. 243-262.

Walker, Marcus, Jason Douglas, and William Horobin (2015): “Europe's Populists Hail Syriza Win in Greek Elections From Left and Right,” *The Wall Street Journal* online, 27 January 2015. <<http://www.wsj.com/articles/europe-s-populists-hail-syriza-win-from-left-and-right-1422320824>> Accessed 14 April 2015.

Warner, Jeremy (2011): “How the euro crisis endgame might look,” *The Telegraph* online, 23 May 2011. <<http://www.telegraph.co.uk/finance/comment/jeremy-warner/8531664/How-the-euro-crisis-end-game-might-look.html>> Accessed 21 June 2015.

Wearden, Graeme (2012): “Eurozone crisis live: German parliament approves Greek package – as it happened,” *The Guardian* online, 27 February 2012.  
<<http://www.theguardian.com/business/2012/feb/27/debt-crisis-euro-german-votes-greek-package>> Accessed 21 November 2014.

Wearden, Graeme (2014): “Europe in turmoil: five years of economic crisis,” *The Guardian* online, 17 October 2014. <<http://www.theguardian.com/business/2014/oct/17/europe-in-turmoil-five-years-of-economic-crisis>> Accessed 21 November 2014.

Webb, Steven (1989): Hyperinflation and Stabilization in Weimar Germany, Oxford: Oxford University Press.

Wehinger, Gert (2013): “SMEs and the credit crunch: Current financing difficulties, policy measures and a review of literature,” *OECD Journal: Financial Market Trends*, 2013 (2), pp. 1-34.

Weissman, Jordan (2015): “Greece Has Finally Caved,” *Slate*, 10 July 2015.  
<[www.slate.com/blogs/moneybox/2015/07/10/greece\\_debt\\_deal\\_did\\_syriza\\_wreck\\_the\\_economy\\_for\\_nothing.html](http://www.slate.com/blogs/moneybox/2015/07/10/greece_debt_deal_did_syriza_wreck_the_economy_for_nothing.html)> Accessed 16 September 2015.

Widdig, Bernd (2001): Culture and Inflation in Weimar Germany, Oakland: University of California Press.

Wieland, Bernhard (2005): “The German HGV-Toll,” *European Transport*, No. 31, pp. 118-128.

Wildt, Michael (2009): An Uncompromising Generation. The Nazi Leadership of the Reich Security Main Office, Madison: University of Wisconsin Press.

Witte, Griff (2015): “A young, impatient leftist is Greece's defiant new face,” *Washington Post* online, 26 January 2015. <<http://www.washingtonpost.com/world/europe/leftist-syriza->

party-forms-government-and-looks-ahead-to-battles-over-bailout-deals/2015/01/26/8aea6dc2-3d86-43a3-b9d0-84a4cdd8e0ad\_story.html> Accessed 16 April 2015.

Wolf, Martin (2002): "Exchange Rates in a World of Capital Mobility," *Annals of the American Academy of Political and Social Science*, 579, pp. 38-52.

Woodhouse, C. M. (1985): The Rise and Fall of the Greek Colonels, New York: Granada Publishing.

World Bank (2015a): "Domestic credit to private sector." Database FS.AST.PRVT.GD.ZS. <<http://data.worldbank.org/indicator/FS.AST.PRVT.GD.ZS>> Accessed 21 June 2015.

World Bank (2015b): "International tourism, number of arrivals." Database ST.INT.ARVL. <<http://data.worldbank.org/indicator/ST.INT.ARVL>> Accessed 21 June 2015.

Wray, L. Randall (1996): "Money in the Circular Flow," in: Ghislain Deleplace, Edward Nell (Eds.): Money in Motion, New York: St. Martin's Press, pp. 440-464.

Wyplosz, Charles (2012): "ECB's Outright Monetary Transactions," in: Rudolf Maier (Directorate General for Internal Policies, Policy Department A: Economic and Scientific Policy) (Ed.): ECB Intervention in the Euro Area Sovereign Debt Markets, European Parliament Monetary Dialogue, October 2012, pp. 5-18.

Yardley, Jim (2015a): "Vote Result in Greece Challenges More Than Austerity," *The New York Times* online, 26 January 2015. <<http://www.nytimes.com/2015/01/27/world/europe/alexis-tsipras-greece-coalition.html>> Accessed 16 April 2015.

Yardley, Jim (2015b): "Greek Referendum Plan by Alexis Tsipras Tests His Power and Conviction," *The New York Times* online, 29 June 2015. <[http://www.nytimes.com/2015/06/30/world/europe/greek-premiers-referendum-call-tests-his-power-and-conviction.html?\\_r=0](http://www.nytimes.com/2015/06/30/world/europe/greek-premiers-referendum-call-tests-his-power-and-conviction.html?_r=0)> Accessed 10 August 2015.

Young, Brigitte and Willi Semmler (2013): "The European Sovereign Debt Crisis: Is Germany to Blame?" *German Politics and Society*, 97 (29), pp. 1-24.

ZEFIR Datenpool (2005): "Leistungsempfänger/-innen von Arbeitslosengeld II und Sozialgeld nach SGB II Juni 2005 (vorläufige Werte)," in percent of total population. <[http://134.147.231.87:8080/sisdemo/datenpool\\_html/database/html.jsp?id=119](http://134.147.231.87:8080/sisdemo/datenpool_html/database/html.jsp?id=119)> Accessed on 4 December 2015.

Ziotis, Christos (2014): "Greece's Top Banks Said to Seek Up to EU5.4 Billion in ECB Loans," *Bloomberg Business* online, 29 August 2014. <<http://www.bloomberg.com/news/articles/2014-08-29/greece-s-top-banks-said-to-seek-up-to-eu5-4-billion-in/ecb-loans>> Accessed 15 April 2015.

Zizek, Slavoj (2015): "A Note on Syriza: Indebted Yes, but Not Guilty!" *Potemkin Review*, 1 (1), Winter 2015. <<http://potemkinreview.com/note-syriza/>> Accessed 16 April 2015.