

NOTES ON EUROPE, GERMAN MERCANTILISM AND THE CURRENT CRISIS

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Contributions to the conference look at a variety of aspects of the current crisis, some of them focusing on the contingent financial causes, others on the underlying contradictions of capitalist economies. Some contributors touch on the international dimension of the crisis, the so-called global imbalances. In this context, less attention has perhaps been paid to the role of Europe and particularly Germany. Europe has not been distinguished by an assertive and cooperative economic policy stance in the aftermath of the current crisis, to the point that pundits have looked at the so-called G2 as the most authoritative global body. German mercantilist policies are said to be behind the European policy stance and a source of regional and global imbalances. After a brief examination of the main pillars of European economic policy and German behaviour during the present crisis, the paper suggests an embryonic interpretation of the origins of mercantilist behaviour and of the allegedly German mercantilist model. The thesis I suggest is that in the German case, the national mystique of a trade surplus may have had a role in disciplining the labour market and at the same time assuring profits. Mercantilism can also be a natural course once it is recognised that absolute and not necessarily relative advantages may determine participation in international trade.

In synthesis, the German export economy model is a well-ordered model which by definition imposes social responsibility and discipline on German society, especially Trade Unions, since its very continuation depends on foreign competitiveness that depends on productivity growth and wage moderation. The foreign exchange policy preserves a constant real exchange rate, so that on the export side firms must rely on technical change to gain competitiveness, and on the import side the cost of imported wage and production goods is contained. Monetary institutions, first the Bundesbank and later the ECB, are watchdogs of wage responsibility, the so-called natural unemployment rate being defined in order to obtain labour discipline. Economic and political power are associated with the German trade surplus, allowing her to have the final word in European institutions and to resist pressures from other global giants that could upset an international context functional to her mercantilist stance. This power has been evident in the definition of European

economic policies and in German non co-operative behaviour in the current and past crises. This model is not, however, without contradictions at global and European level.

Notably, all participants of the EMS and EMU were willing to create some order in their own labour market relations. This suggests that in capitalism, mercantilist behaviour is not specific to some bad guy, but is more of a natural course for the ruling class, as envisaged by Kalecki, Joan Robinson (and Rosa Luxemburg), since it couples labour market discipline and foreign market realisation of the surplus. However, obtainment of persistent trade surpluses by the successful mercantilist country contributes to the creation of regional and global imbalances that may periodically boomerang on the temporary winner. Unfortunately, the opposite policy framework, international Keynesism, has been more of an accident of history associated with the Cold War, than a rule.