THE SOUL OF THE EUROZONE

The most consequential European politician of his generation, Wolfgang Schäuble is the longest-serving member of parliament in the history of Germany, entering the Bundestag for the CDU at the age of thirty in 1972, and now in his twelfth successive legislature, at the age of seventy-four. Within a year of Helmut Kohl’s election as Chancellor in 1983, Schäuble was his chief of staff. Promoted to Minister of the Interior in 1989, he managed the swift absorption of the DDR by the Federal Republic in 1990. Rising to leader of the party in the Bundestag on the strength of this success, when Kohl lost his bid for a fifth term, he became chairman of the national CDU in 1998, poised for his elevation to Chancellor when the party regained power. But in 2000, he was caught in the scandal of CDU slush funds, and had to make way for Angela Merkel in the post. With her election as Chancellor in 2005, he became Minister of the Interior once again, and on her re-election in 2009, Minister of Finance. There he remains today.

Landmarks in this career have given Schäuble a solid reputation, inside and outside Germany, for an unflinching brand of conservatism. The treaty with which he steamrollered the Anschluss of the DDR, ignoring the possibility in the Grundgesetz of a revision of the German constitution, was famously described by Habermas as ‘Herr Schäuble shaking hands with himself’. As Minister of the Interior, he urged acceptance of evidence under torture, mooted targeted assassinations in the battle against terror, covered the CIA kidnapping of a German citizen for incarceration in Guantánamo, and urged use of the army for internal security operations. Later, he saw little reason to complain of NSA surveillance of his compatriots. His Atlantic solidarity is second to none. Like Merkel, he applauded the invasion of Iraq in 2003, and a decade later declared Putin’s recovery of Crimea a facsimile of Hitler’s seizure of the
Sudetenland. Above all, as Minister of Finance, Schäuble has appeared a ruthless enforcer of EU-wide austerity, imposing a draconian neo-liberal orthodoxy in the service of German national egoism, at the expense of smaller and weaker countries in the Union. In 2010, he was the prime mover of the Fiscal Stability Pact that two years later would write budgetary corsets into the constitutions of Eurozone members, and has had no hesitation in attacking the European Central Bank, and the low-interest manipulations of its Italian head, for undermining economic discipline in general and German savings in particular. No other finance minister in the Eurozone could afford to be so outspoken.

Since the generation that lived through the Second World War passed away, the common hallmarks of the European political class have been mediocrity and corruption. In its nondescript ranks, Schäuble stands out. Not as exempt from corruption, in which he was as implicated as any of his peers—the 100,000 deutschmark he was handed by an arms dealer in 1994 still remains unaccounted for—nor as rising to any great mental height. But in strength of character—he was rendered paraplegic by a lunatic in 1990—and, by contemporary German standards, a certain intellectual dimension. In France or Italy, it is still virtually *de rigueur* for leading politicians, whether on the way up or already well established, to produce a series of books testifying to their wider culture and finer intelligence. Not so in Britain or Germany, where self-serving memoirs of the Schröder or Blair stripe form the nearest, dreary *ex post facto* equivalent. In the Federal Republic, the days of the prolific and literate Helmut Schmidt, or even Willy Brandt, are long gone. Incapable even of a self-written article, let alone a book, in a dozen years of power Merkel’s only memorable utterance was the vapid reassurance *wir schaffen das*—‘we can manage’—issued on the arrival of a wave of refugees from the Middle East, and given the lie overnight, sending her scuttling to Turkey to get any more of them safely bottled up under Erdoğan. Schäuble is made of sterner stuff. The six books he has published since the early nineties aim at something more substantial.

**Formation**

Born in 1942, Schäuble comes from Hornberg, a small town (population 4,000) in the Black Forest, roughly midway between Freiburg

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1 Schäuble had inherited the case from Schröder’s chief of staff, later Foreign Minister under Merkel, now President Frank-Walter Steinmeier.
and Tübingen, where his father held a position as *Prokurist*, an authorized officer, in a cotton firm converted to arms production during the war, exempting him from military service. A founder of the Badische Christlich-Soziale Volkspartei (BCSV) in the post-war period, Karl Schäuble became its chairman in 1946 and entered the Landtag in 1949, where he served until 1952, when Baden was merged with Württemberg, thereafter throwing himself into activities for the CDU in Hornberg. Exposure to politics came early to Wolfgang, campaigning for his father at the age of eleven, as to his younger brother Thomas, who would go on to become an Interior Minister in Baden-Württemberg and head of the national domestic policy committee of the CDU. Active in the youth wing of the CDU from the age of nineteen, Wolfgang was chairman of its regional organization in South Baden within a decade, and elected to the Bundestag soon afterwards.

What was Schäuble’s intellectual formation in these years? With a brief intermission studying economics at Hamburg, he took law at the University of Freiburg. Given his later reputation as a rock of neoliberalism, it would be a reasonable assumption, one that he has taken care not to dispel, that his convictions were formed by the work of the Freiburg School, often identified with ordo-liberalism as the native German counterpart to the Austrian School of economists headed by Mises and Hayek. In fact, however, of the first generation of ordo-liberal thinkers, none remained at Freiburg by the time Schäuble arrived there. Walter Eucken had died in 1950, and Franz Böhm was no longer based there. Though the two are often conflated, other leading lights of ordo-liberalism, Alexander Rüstow, Wilhelm Röpke and Alfred Müller-Armack were never at Freiburg. Tellingly, Schäuble would himself later refer not only to Eucken, but mistakenly to Röpke and Erhard, as ‘pioneers of the Freiburg School’. Though the creation of the journal *Ordo* by Eucken and Böhm in 1948 contributed to their identification, the two terms were never synonymous—the Freiburg School was a smaller formation within what became ordo-liberalism, one of several anticipating it.

By the time Schäuble was a student at Freiburg in the sixties, it is an open question whether the intellectual climate there was unusually

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ordo-liberal. This period was the high-point of ordo influence in German academic life generally, when its ideas were widely taught in economics departments as one of the main currents in economic theory. In his memoirs Fritz Rittner, who supervised Schäuble’s dissertation, describes a department of law concerned with many of the issues that preoccupied the ordo-liberals: interdisciplinary studies of legal and economic regulation, competition, and a society based on contracts between private agents enforced by the state, market-conforming interventions to ensure the separation of economic and political spheres, and the like. Broadly admiring of the ordo-liberals—especially Böhm—as theoreticians, Rittner was nevertheless critical of the tradition as insufficiently empirical. Its approaches had varied a lot since the late 1930s: there was no one ‘neo-liberal theory of competition’, rather a political outlook of wider social significance, particularly in the early years of the Federal Republic, when the slogan of a Social Market Economy was popularized.\(^4\) Schäuble’s own dissertation, on the professional legal status of auditors, bore few signs of much theoretical reflection.

**Into politics and print**

Within a year of completing his doctorate, Schäuble was planted on the benches of the CDU in the Bundestag, where his career would be closely linked to Helmut Kohl, whom he backed in a failed bid to become chairman of the party in 1971, at a time when the SPD was in power under Brandt. When Kohl left his fief in the Rhineland to become leader of the opposition in 1976, assembling a coterie of close advisers around him, the so-called Gruppe 76, Schäuble became a key member of it; and when Kohl toppled the SPD in a parliamentary manoeuvre six years later, he was selected by his colleagues to head the CDU fraction in the Bundestag. Soon he was head of the federal chancellery—in effect chief of staff to Kohl—and by the end of the decade in charge of German unification. In 1991, within a year of the attack that left him in a wheelchair—not ‘handicapped’, a term he disdains, but in the blunt local idiom he prefers, a cripple for the rest of his life\(^5\)—he was able to celebrate his achievements in winding up the DDR with his first book, whose title made no secret of


\(^5\) When an interviewer, asking him if he hoped one day to be Chancellor, addressed him as ‘handicapped’, he was told: ‘Don’t beat about the bush. Back home in Baden someone who sits in a wheelchair is a cripple.’ See Schütz, *Wolfgang Schäuble*, p. 180.
his personal triumph in navigating its demise, and restoring the rights of private property in the East as the ‘foundation of a social market economy structured under private law’.6

Three years later, he produced a second of much wider ambition, timed for release before the election of 1994 that returned the CDU to power once again, and clearly designed to strengthen his claim as heir-apparent to Kohl. The manifesto of a recent Minister of the Interior, rather than of Finance as he would subsequently become, Und der Zukunft zugewandt—‘Facing the Future’—took its title, in a self-confident gesture of ironic appropriation, from a phrase in Johannes R. Becher’s anthem of the DDR. It comprised a sweeping diagnosis of the troubles of the hour, and the remedies for them, some under way since the Wende of 1982 that had put an end to SPD rule, but more still needed to come. Amid the literature of the time, the result was quite distinctive. For Schäuble’s arguments combined two traditionally disparate sets of discourse: on the one hand, Kulturkritik of consumerist mass society and its ills, and on the other, polemic against the degenerative effects of an overbearing state—one classically conservative or radical in inflexion, the other of militantly liberal direction.

Lamenting that ‘the world appears out of joint’, Schäuble opened his account of the times with a list of ‘changes in the life-world’ of contemporaries—speeding technologies, dwindling birth rates, longer lifespans, new electronic media spawning individualistic outlooks—that spelt a deep social transformation, lived as a widespread malaise. Reunited Germany was a paradox. Declining growth rates plainly required new institutional frameworks for economy and society. Yet Germans had never enjoyed a higher standard of living, so the pressures for adjustment were low, and revolutionary changes excluded, as Bernstein had already seen. Not just a thicket of regulations, but the erosion of ties binding Germans together, impeded the necessary efforts to redress matters. Despite victory in the Cold War, the West was sinking ‘ever deeper into crisis’, as Tocqueville and Weber had warned it might, if nothing in modernity arrived to replace religion, and the loss of any ‘transcendental dimension’ of experience left people at the mercy of a weary disenchantment. It was cause for alarm that in the Germany of the nineties, there were scarcely any heroes or role models: no great artists

or scientists had been produced, no figure embodied a ‘natural and binding authority acknowledged by nearly all’.

Such was the formative environment of a generation that had grown up without any experience of the hardships of acute crisis or clear and present existential threats.

In these conditions, lack of solidarity and national purpose had taken its toll. Human beings were naturally inclined toward indolence and individualized comforts, affecting not just social life in general but also the world of work, where mechanization had reduced the input of human labour, and by lightening its burden and effort curtailed the spirit of industry. Television represented an endpoint of the anthropological and depth-psychological drive to minimize drudgery and maximize easy pleasures. The degenerative effects of the mass culture it purveyed were not confined to leisure, since private and public life were mutually constitutive. To counteract them, Schäuble called for a community service programme akin to the American Peace Corps to foster a sense of civic belonging. Such a sense of service, he noted, ‘begins with the family’. If it atrophied, the result was likely to be a weakening of the party system itself, and ‘without parties, a free democracy cannot function.’

Still, not all signs were gloomy. Spontaneous organizations had sprung up among the young, rejecting the indifference of a ‘depersonalized family’ in which the ‘father is RTL and the mother MTV, and the uncles and aunts are video-store owners’. Older generations were at fault in failing to develop more formal institutional settings for human interaction and dismissing new civil associations adapted to the videosphere. Part of the response that was needed lay in the ‘self-healing power of reason’, capable of informing citizens of the social cost of their activities.

A dosage of neo-liberalism

At this point Schäuble’s Kulturkritik swerved into neo-liberal castigation of the social state. For symptoms of degeneration were not just effects of cultural disenchantment; they were rooted in political developments too. Traditionally, the family had not only provided material support for its members across generations, but transmitted a living experience of community. The social state that supplanted it took on the minimum

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7 *Und der Zukunft zugewandt*, Berlin 1994, pp. 13–20, 28, 45, 51–3, 56: henceforth *ZZ*. ‘Even our sports megastars’, Schäuble grumbled, ‘do not have the aura, the charisma and name-recognition of Magic Johnson.’

8 *ZZ*, p. 54.
functions of supporting reproduction, but failed to reconstitute, at its much larger scale, this crucial intersubjective nexus. Originating in a response to the ‘social question’ arising out of the industrial revolution, over time this state assumed more and more welfare responsibilities, with the aim of ‘establishing an approximate equality of living conditions’ that in turn required increasing interventions in the economy. The end-result of this dynamic was an ‘unbelievable excess of the state’, bringing with it not only a ‘mechanization of our life world’, but also a ‘grandiose malformation of tasks undertaken by the state’, which was now required to respond to weakly articulated subgroups, in contrast with the well-organized masses of workers of the nineteenth century.\(^9\)

‘So long as we recorded high growth rates’, Schäuble observed, ‘we hardly felt the hypertrophy of the social state to be a problem.’ It was declining growth that revealed the costs of maintaining it had got out of hand, posing the major problem of the fin-de-siècle conjuncture. Germany now had no choice but to rebuild its welfare system. How was this to be achieved? Schäuble’s answer was not a simple neo-liberal injunction to destroy existing entitlements. Indeed he dismissed outright the postmodern jargon of administration, whose catchphrases of ‘citizen-friendly’ or ‘lean’ management only addressed symptoms, with no purchase on fundamental sociocultural questions.\(^10\) The problem was rather that there was at once ‘too much and too little’ state. There was too much state in the shape of bureaucracy, administration and striving for equality, but too little when it came to ensuring inner security and order.

A starting point for redressing this situation must be the realization that the family, for all the weakening of its nuclear structure, remained ‘the foundation of state and society’ as ‘the most important place of human security and meaning’. Conditional benefits in services and taxes, equalizing them between the sexes, could strengthen kinship bonds between spouses and across generations, even if overt discrimination against the unmarried should be disavowed. Schäuble offered a glowing report of achievements under Kohl’s chancellorship: ‘The increase in child allowance, the introduction of parental leave and a child-rearing allowance, the establishment of the Federal Foundation “Mother and Child”, and the crediting of care periods in pension insurance were correct and important measures that we have proposed and implemented.’\(^11\) Though

\(^{9}\) ZZ, pp. 88, 101.  
\(^{10}\) ZZ, pp. 107–8.  
\(^{11}\) ZZ, pp. 115, 123.
opposed to direct tax penalties for the childless, Schäuble argued that pension payments should be calibrated over the long run to the number of children in a household, as with income tax. Family policy must be designed to honour a ‘contract between generations’ that was in grave danger of becoming unredeemable, amid the social disaster of a situation where about a third of all households now consisted of one person, and nearly half in cities.

Conceding that besides these demographic problems, if also interconnected with them, Germany confronted serious economic difficulties in their own right, Schäuble traced these to two distinct problems: transformation in patterns of work and employment and loss of German international competitiveness, against the backdrop of a slowing world economy and the burdens of unification. The CDU/CSU–FDP coalition had responded, successfully according to Schäuble, with two macroeconomic remedies: keeping long-term interest rates near their lowest level in the history of the country, and embarking on a course of deregulation, privatization and corporate-tax reduction. Still, despite the evidence of an early nineties upswing, questions lingered over German export performance. Clinton’s labour secretary Robert Reich had rightly identified powerful forces in the ‘new world economy’ hitting the realm of work across the advanced capitalist societies. Through an immense process of rationalization and outsourcing in both manufacturing and in services, employment prospects were fading without any replacements on the horizon. In the European Union, the situation was dire: almost twenty million people without regular jobs. The challenge was to find a way of accelerating technological progress (‘ohne technischen Fortschritt geht es nicht’) without causing unemployment or underemployment. That required an active labour-market policy, but one that reduced the government’s role in it—there, the Berufskademien of Baden-Württemberg were exemplary. Nationally, there must also be an effort to preserve jobs within Germany and trim unemployment insurance, since work should be understood as more than a means to life, but rather as a structure that gives life meaning.

For a happy Sisyphus

It was to this end that a new and more heroic attitude (‘yes to modernity and progress’) should be struck in the field of new technologies, even those that presented clear risks like genetic engineering and nuclear
power. Society had to recognize new opportunities amid a changing pattern of work. This would undoubtedly involve making working hours more flexible, and tying welfare benefits to part- or full-time jobs, to yield the social benefits of higher employment. But this should not, under any circumstances, be confused with proposals by the SPD or trade unions for a reduction in working hours. It was a ‘great danger’ even to broach this topic in the field of Ordnungspolitik, since such schemes assumed no reduction in wages. Indeed, such trade-union demands missed the entire point of a flexible labour regime, which was to reduce production costs, raise productivity, and permit more affordable and therefore competitive prices of German goods on the world market. In these matters, as elsewhere, the struggle to impose the guideline of ‘less state’ was like that of Sisyphus, whose failures never overcame him. The guiding slogan of ‘less state’ could inform the small and apparently isolated steps taken to clarify the mechanism of supply and demand, Schäuble argued. Privatizations too were essential, not only in the liquidation of state-owned industry, but above all in ‘the privatization of tasks and privatization of infrastructures’, where highway, roads and other services too could be financed through capital markets, and job centres devolved away from the state.

Under what political arrangements could regeneration of the family, loosening of the labour market and sell-off of infrastructure take place? Within an integrated Europe, with a strong party system, linked to the Atlantic powers through NATO-based security arrangements. Not all was well there. With the end of the Cold War, Germany was ideally positioned to function as a bridge between East and West, but Schäuble cautioned against gloating at the victory over Communism. Its ideology, fixated on earthly salvation, had thankfully failed. Such visions understood history as having a summit to reach—but once there, what more was left to do? The lesson to be learnt was that history could hardly ever be at an end. This held as much for its contemporary theorists as anyone else. Rather the stone, brought up to the summit, rolled down the side of the mountain again. The meaning of the myth of Sisyphus was that ‘the way is the end’. Liberal democracy would have to learn to live without the foils supplied it by ideologies of the 19th and 20th centuries, the main enemies that had assured it with a kind of inner order. Would liberalism take the comfortable path ‘of least resistance’, would it take up the challenge of

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12 ZZ, p. 135.  
13 ZZ, p. 156.
creating a new world-view based on a realistic sense of the unchangeable nature of ‘basic human existence’? That would be the path of a ‘happy Sisyphus’, as Camus had rightly imagined him, self-reflective and reflecting on what could be made of invariant human requirements, in the service of a liberal democracy reconciling the individual and the community, and preserving the stability of the last surviving organization of social life.

After this capacious mission statement, Schäuble’s next work was more narrowly focussed. Four years later, Und sie bewegt sich doch—‘And yet it moves’, an apocryphal tag from Galileo—was timed again for an election season, as the CDU squared up for what Kohl fondly believed would be yet another triumph at the polls. With his new book, Schäuble laid down a marker for inheritance of its leadership. In the wake of the Asian financial crash, he argued that long-term structural transformations of the world of work, and degeneration of the private sphere and family values were no longer mere ambient threats to democratic legitimacy: the approaching millennium was marked by more acute crises. Turbulence in the Far East made 1998 a ‘fateful year’ for Ordnungspolitik. But rather than registering the dangers of financial contagion under conditions of increasing international economic integration, Schäuble reverted back to a national scale to conceptualize the problem. The newly industrialized economies of East Asia had for a time appeared to outcompete the West by exploiting low labour costs. It could now be seen, however, that ‘the new tigers are by no means the raging wild animals represented for a few years as life-threatening to the Western economies in the jungle of globalization’. They were rather bound for something like the deflated trajectory of Japan in the 1980s. Overheated economies had created unsustainable expectations of accelerating standards of living and expanding social benefits. They would need to learn how to conform to Western models of the market economy. This was not an imperialist sentiment, but knowledge hard-won through experience. At the IMF, Michel Camdessus could hardly have put it better.

But at home, trouble spots persisted in the domains of law and culture. Where Karl Kraus once remarked that when a culture senses it is

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14 ZZ, p. 250.
15 Und sie bewegt sich doch, Berlin 1998, p. 33: henceforth SBSD.
reaching its end, it sends for a priest, today amid ‘great social upheavals’ it was not priests but politicians who were called for salvation. In these testing times, the need for public confidence and internal security in the homeland was paramount. Criminality and anti-social conduct had to be reined in. This was not just a question of suppressing these evils. No less important was the second-order effect of developing a response to crime that re-established the police in the eyes of the public as something other than a bureaucracy for collecting state revenue through fines. The sociology of ‘broken windows’ was the model to be emulated—maximum sanctions for small infractions—as implemented by police chief William Bratton for Mayor Giuliani in New York. That was a way to restore the police to its proper position as a meaningful social force, something that could be replicated in Germany, perhaps with a genetic databank for criminals. It was a drawback of the German political system that not only did it make for cumbersome coalition governments, but through its upper house allowed state governments far more influence over federal policy than they possessed in the us. Perhaps it was time to initiate reform of this slow-moving machinery, which was hardly the sort of separation of powers envisaged by Montesquieu. Broader and more integrated institutions were required, not just at a federal but also at an international level, where creeping loss of national sovereignty made cooperation between states ever more important.

Most pressing now, however, was an agenda for handling the economic problems posed by globalization, whose corrosive effects could be seen even in the recovery of the world’s leading capitalist economy, the United States. It was a misconception that the only new jobs created there were low-paying service positions. In fact, the American experience of the late nineties had shown that highly skilled and well-paying jobs could replace those lost in the decline of manufacturing. But it was true that the us had also seen the expansion of ‘rudimentary’ minimum-wage jobs in service sectors, which was to be avoided. Germany, for its part, had much to celebrate, having transformed itself from ‘one of the most unattractive positions for future industries like genetic technologies into the largest growth region in Europe’. The renaissance of its auto industry was a ‘perfect example’ of the benefits to be won by increasing competitiveness against cheaper exporters in Asia, without drastic cuts to real wages or extreme austerity.17

16 SBSD, p. 51. 17 SBSD, p. 19.
Still, surveying the position of industrial states of Western Europe in the new globalized economy, Schäuble explained that to confront increased competition at a global level the cost of labour had to be brought down. ‘That for us is too high.’ Increases in productivity must exceed increases in pay. But how low should wages be held, and how far should productivity rise? Heavy industry would have to embark on thorough-going rationalization if it was to survive. In Germany, the inhibiting peculiarity of Sozialpartnerschaft would have to go, and employment in manufacturing would have to fall, if the service sector, now lagging, was to be sufficiently developed. This might risk some uncomfortable downsizing, but in a social market economy there would be mechanisms of compensation to balance out any overly harsh side-effects. There could be no flinching from deregulation where it was necessary.

What of Europe? Schäuble had no patience with the ‘escapist enthusiasm’ of SPD pleas for harmonization of labour, pension, health and other social standards across the EU. To bring Union standards up to the German level was a recipe for the collapse of European integration. No, Schäuble was clear: ‘we are for flexibility, deregulation and competition’. Monetary union would set the framework for positive labour-market effects in the mid-term, and principles of subsidiarity would encourage innovative individuals and cooperative projects in the novel world of work described by Richard Sennett as the new culture of capitalism. This did not mean ignoring the wider social responsibilities of member states to each other, but these could be developed at an unspecified later date. Certainly, with the coming introduction of the euro, it would be necessary at all events to take more seriously the political dimension of European institutions, since excessive focus on market competitiveness could otherwise undermine the legitimacy of the system upholding it. This could involve risks, but so much the better. If these were dangerous times, they were also exciting. Fond of wry annexations of the Left’s imaginary, Schäuble advised readers that there was something to learn from Ernst Bloch’s utopian reversal of Old Testament morality: whoever does not put himself in danger, will perish by it.

Midlife disaster

After the CDU/CSU victory of 1994, sealing what was widely regarded as Kohl’s last term as Chancellor, Schäuble had appeared set for the
succession four years later. But as economic difficulties mounted, with unemployment increasing and the bills from unification coming due, a rift between the two developed. Kohl wanted to strike a tripartite deal with employers and unions to resolve them, which Schäuble, pushing for a more neo-liberal response, working through the CDU and FDP delegations in the Bundestag, thwarted. Retribution was not long in coming. In 1998, at the last minute, Kohl announced he was running again for another term. As Schäuble privately predicted, and probably hoped, the result was a heavy defeat, bringing sixteen years of CDU rule to an end. In the wake of it, Kohl stepped down as party leader and Schäuble took over.

Across the next two years, the party under his leadership staged a swift comeback in Land elections, and his ambition to become Chancellor seemed well within reach. In November 1999, however, came a thunderbolt: the arrest of a former treasurer of the CDU for receiving a suitcase filled with a million deutschmark from an arms dealer, Karlheinz Schreiber, in a parking-lot in Switzerland. It soon emerged that this transaction formed part of a much vaster system of corruption, involving numerous ‘black’ bank accounts, run for many years by Kohl and his minions in the CDU apparatus.

The scandal was enormous. Furious with Schäuble for failing to cover him sufficiently, Kohl reminded him: ‘you got money from Schreiber too’, and made sure that Schreiber, on the run in Canada, kept Schäuble in the spotlight for a meeting in 1994 in which he handed him an envelope with 100,000 deutschmark that Schäuble passed without query to the CDU treasury. Kohl then defiantly announced on television that he had personally received some two million deutschmark in undeclared donations, from benefactors whom he claimed had given him the cash to build up the CDU in East Germany, and whose identities he had given his word of honour not to reveal. Amid the uproar Schäuble, challenged in the Bundestag about his encounter with Schreiber, denied the envelope had contained money—a lie quickly exposed that undid his authority in the party as a leader pressing for a clean-up of its past, allowing Merkel, whom he had appointed as general secretary of the CDU, to call for a break with Kohl without consulting him, and to step into his shoes when he had to resign as chairman of the party. It was the second dramatic, irreversible setback of his life. He would now never be Chancellor.
Most politicians would have kept a low profile after such a humiliation. Schäuble’s reaction was to publish a book recounting and analysing it within a few months. *Mitten im Leben* (2000)—‘In the Midst of Life’—provided an accomplished, blow-by-blow narrative account of the disaster that had engulfed the CDU and himself. In it, without excessive self-justification, he explained that he had made a fatal mistake in failing, in the heat of the moment, to answer his interpellation in the Bundestag truthfully, and had been too slow to realize that Kohl was bent on his political destruction, before finally seeing what he was up to and telling him with contempt: ‘I have spent too much of my short lifetime with you.’

Could Schäuble have avoided his downfall? Viewed dispassionately, he was too closely involved in the previous sixteen years of Kohl’s rule to be the political surgeon needed to separate the CDU cleanly from it. Merkel could do that because she was not party chair, and could act behind his back, without the responsibility that fell to him of ‘keeping the shop together’. His feelings about her conduct he conveyed, without a word of criticism, simply by referring to her as Frau Merkel, without her Christian name—the only such case in an extensive gallery of colleagues. In his calm recital of how he was unseated, he confined pathos to two plangent passages from Weimar classicism—Schiller’s words from *William Tell*, ‘the lake rages and will have its sacrifice’, and Goethe’s lines from *Torquato Tasso*, which he recited in his farewell speech as chairman of the CDU:

To mortal man so seldom is it given,
To find what seemed his destiny;
Alas, so seldom he retains the good,
Which in auspicious hour his hand had grasped,
The treasure to our heart that came unsought,
Doth tear itself away, and we ourselves
Yield that which once with eagerness we seized.

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20 *Mitten im Leben*, Munich 2000, p. 235: henceforth ML. Schäuble could not quite bring himself to quote the lie he told in the Bundestag, for which see the otherwise admiring portrait of him in Schütz, *Wolfgang Schäuble*, pp. 167–8: compare his own version, ML, p. 223. For Schäuble, Kohl had set out, with every underhand means available, to deflect attention from the enormity of his own illegalities to the Nebenkriegschauplatz of an involuntary minor infraction by his former right-hand man: ML, p. 299.
There is a happiness, unknown to us—
Known indeed, but yet we prize it not.

The leitmotif of the book is more prosaic. His overwhelming duty as leader of the party was ‘the preservation of the CDU as a great integrating force of the bourgeois centre’.\textsuperscript{21}

In the event, neither the CDU nor the \textit{dramatis personae} of the scandal were at any great risk. Although it soon emerged that Schreiber’s suitcase of a million deutschmark had indeed been a bribe from Thyssen to secure the exports of its tanks to Saudi Arabia, which Schäuble had hotly denied in parliament, the German political and legal class swiftly closed ranks to ensure, with customary \textit{omertà}, that Kohl went scot-free after payment of a nugatory fine, and lesser figures were left untouched. Schreiber, extradited from Canada many years later, was relieved of time behind bars on medical grounds; the coffers of the CDU were soon brimming again with donations from members, well-wishers and big business; and Schäuble was tipped to become President of the Federal Republic in the spring of 2004. In preparation for this honour, he returned to print with a fifth book on necessarily loftier themes.

\textit{The West at risk}

Decked out with an introduction by Kissinger, \textit{Scheitert der Westen?} (2003)—‘Is the West Failing?’—sought to take stock of the perils of the post 9/11 world, the risks of division within the Atlantic community over threats from the Middle East, and the bases of a constructive way forward for Germany amid the turmoil of the time. Themes from his earlier work returned with heightened urgency, as questions that now concerned not just the security but the very coherence of Western civilization, and for the first time Schäuble drew explicitly on the ordo-liberal canon, with several admiring references to Röpke and Müller-Armack, to illustrate his case. Looking back, it could now be seen that the period between the fall of Communism and the toppling of the Twin Towers had formed a market ‘interregnum’, years in which the values of the West had ostensibly become universalized, yet attenuated of their substance. Victory in the Cold War had been decisive: the market had won unambiguously. But a spiritual vacuum had spread in the wake of its triumph, as it lost contact

\textsuperscript{21} ML, pp. 275, 279, 253, 272.
with the moral substance of tradition: ‘At all levels of economic activity’, Schäuble declared, ‘an erosion of solidarity had occurred’.\(^{22}\) This was a self-undermining process, in which an uncontrolled market dynamic ignored the social and emotional ligatures on which it depended. As Marx and Schumpeter had both observed, the market had little to do with institutions like the family or marriage. Advertising, understandably one of the highest growth sectors of the economy, was in a sense the organizing principle of a market society itself. But a continuous drive to stimulate predictable and synchronized demand was unsustainable, sooner or later leading to a form of moral exhaustion, as consumers grew to resent a cascade of new and fleeting needs which could be met only with diminishing satisfaction through commodities that became obsolete at a numbing rate.\(^{23}\) There lay no true civilization.

The interregnum of 1989–2001 had come to an end because people had begun to demand answers to social questions of an ‘existential nature’. Röpke had anticipated this contemporary disquiet almost half a century before, warning in his *Jenseits von Angebot und Nachfrage*—‘Beyond Supply and Demand’—of 1958 that merely increasing the standard of living at regular intervals, although of course an important weapon in the fight against Communism, was not sufficient to legitimate a social order.\(^{24}\) There had to be a social basis for capitalism—a pre-economic or extra-economic framework that could provide its agents with meaning. The founders of the CDU, those who put the precepts of Röpke into practice like Müller-Armack (who coined the term ‘social market economy’ for the CDU electoral campaign of 1949), could be revisited with profit today. For there could be found lasting truths of an acceptable order:

The social market economy is based on a very specific understanding that combines self-interest and personal responsibility with the concept of public service and the social commitment of earned capital. The market economy and social progress go hand in hand and do not constitute contradictions any longer. This is not a Christian model of order, but through founders like Müller-Armack and others it was influenced by the ideas of Christian social ethics. Self-interest and charity, competition and solidarity, personality and subsidiarity, are its pillars.\(^{25}\)

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\(^{22}\) *Scheitert der Westen?*, Bielefeld 2003, p. 33: henceforth *sw*.

\(^{23}\) SW, pp. 39–42.


\(^{25}\) SW, p. 112.
But Europe had yet to realize this promise, and was now confronted with hotbeds of terrorism in the Middle East, responses to which had lamentably divided the West. No Atlantic partner was free of blame for disunion over Iraq—certainly not Germany or France, let alone the United States. Had there been unity in the Security Council, Germany should have played its part in the invasion of Iraq, which might have been avoided altogether if Saddam had known he faced the full power of the West against him. It was clear, at all events, that ‘current discussions of pre-emption and prevention’ expressed the reality that ‘the classical categories of international law were no long sufficient’ for defence against terrorism and the spread of weapons of mass destruction. ‘This question must be faced without prejudice.’ The outlook of the failed states of the contemporary world remained parochial and alien, conflict with them foreshadowing a multipolar world of distinct lineages and civilizations, as analysed by Samuel Huntington. But if this was to be the shape of the future, the lesson to be drawn was naturally not advocacy of a ‘clash’ between them, but rather its avoidance by way of a form of ‘global Realpolitik’ that recognized the coexistence in ‘neutral heterogeneity’ of a set of discrete civilizational spheres, composing a world order based on principles of diversity and multipolarity.

Such an order, however, required the nourishment of a particular culture that defined a collective identity. In the case of the West, this must include a recovery of Christian social teaching. ‘Soft power’ was also a requirement of security—higher levels of foreign direct investment in trouble spots to bring up development and life chances closer to Western levels. At the same time, its crucial complement was hard power. That meant strengthening the security apparatus of the EU, including plans for a European army. That should still remain in the last instance subordinate to the command structure of NATO: the US should have no grounds for concern that a de jure rapid response force would lead to a divisive European foreign policy. The strength and legitimacy of the EU, striking a balance between the extremes of a Brussels-based superstate (‘a bureaucratic Moloch’) and mere free-trade zone were vital to the Atlantic alliance. But in the larger scheme of things, whatever the civilizational achievements of the West over the course of millennia, the world was changing, and constitutional questions within it had to be rethought.

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26 SW, pp. 166, 204. A position widely shared at the time, among others by Habermas.
As a credential for the presidency, *Scheitert der Westen?* missed its objective, or may even have boomeranged. Merkel feared Schäuble’s superior gifts, and did not want him to have an independent platform for exercising them, characteristically at first letting it appear she welcomed his candidacy and then torpedoing it in favour of Horst Köhler, a nullity from the IMF who posed no threat, and eventually had to step down in disgrace after hailing Berlin’s participation in the war in Afghanistan as good for German exports there. A year later, when she became Chancellor, Schäuble was put back in the Interior Ministry he had occupied in the nineties. There he would explain that, after hosting US Homeland Security chief Michael Chertoff at his private residence in Baden-Württemberg, he had come to realize that ‘we need to clarify whether our constitutional state is adequate for confronting the new threats’ facing Germany.\(^27\)

In the event, the immediate threats that materialized came not from the Middle East but the Land of the Free itself, with the Wall Street crash of 2008 and financial crisis engulfing the advanced capitalist world. Once again Schäuble was at the ready with his pen in an election year. *Zukunft mit Maß* (2009)—‘A Measured Future’—offered his collected speeches on the economic challenge posed to the world, and more particularly to Germany, by the ongoing turbulence. It opened with Röpke’s aphorism: ‘The questionable things of this world perish of their own nature, the good, however, of their exaggerations.’ The unbridled capitalism of the past twenty years, touted as a great success by cheerleaders at McKinsey, had generated the worst economic debacle since the Second World War. It had been triggered by the lax monetary policy of the Federal Reserve, overheating real-estate prices, the fateful decision of the SEC to remove debt limits on securities trading and the unraveling of disastrous financial innovations whose endless permutations of money eventually threatened deposits in Germany too.\(^28\) But the crisis, essentially one of confidence, ‘should not tempt us to put the social market economy as a system in question’.

That said, in a more historical perspective, recurrent processes were at work. The crisis of 2008 should be understood as revealing tendential features of capitalism. As in the past, phases of technical innovation

\(^{27}\) *Der Spiegel*, 9 July 2007.

were followed by phases of speculation and then of recession. Just as industrial capitalism had experienced its own first great depression at the end of the 19th century, the significance of 2008 was that it was the first major crisis of a ‘global information society and its economy’.⁵⁹ In hindsight, liberalization of financial markets had gone too far. The remedy, however, did not lie in more international regulation of them, but in the teachings of the Freiburg School, which had always insisted the really important rules of economic life were social rather than technical. This was something Schumpeter had understood, too. For a market economy, ‘like democracy, is not in itself a completely regulated and self-reproducing system’ but rather one that requires—Capitalism, Socialism and Democracy had explained—‘extra-capitalist patterns of behaviour’: self-reliant, disciplined, honest conduct.

Such was the spirit in which the Federal Republic had responded to the downturn of the 1970s: not in the manner of Thatcher or Reagan, but through its own arduous process of reforms, that never lost sight of the moral foundations of sound markets in the pursuit of sheer economic liberalization, whose consequences could be dire. ‘The rationalization of all life leads to unspoken costs in private life, engendering two fateful developments: the ascent of the consumer and the descent of the family. Today we could say: the unfunded consuming precariat increases, the middle class is under pressure, economic momentum is weakening.’³⁰ Practical steps were required to guard against these excesses. Greater transparency in financial transactions was needed—Eucken had always stressed that those who reaped gains must also bear losses from the risks they took; banks that were ‘too big to fail’ should be decentralized; as in farming, ‘diversity rather than monoculture’ should be encouraged to mitigate systemic vulnerabilities and investment directed toward lines of technical progress, the decisive factor for increasing prosperity.³¹

But non-economic factors would ultimately determine economic outcomes. Critically, religious and spiritual life had to be strengthened. Looking back from 2009, the succession of upsets since the East Asian crisis may have been unpredictable. But perhaps belief in ‘something higher’ would help to check human tendencies to excess. That meant, in practical terms, mobilizing the power of civil society to foster mutual trust and confidence through churches, religious groups

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and other associations.\textsuperscript{32} Germany was a secular society, and would remain so, Schäuble conceded, and he himself was not especially pious. Protestantism did not move in a straight line toward ideals that were partially realized by the late 19th century, without its own dark history. But the Christian faith of the Reformation achieved eventual harmony with the Enlightenment culture of reason. Glimpses of this tolerant Protestantism could be found in the pluralistic religious policy of Frederick the Great, or later in the republican revolts of 1848 in Baden. Noteworthy too was the ‘politically active, liberal Protestantism’ of Leipzig that played such an exemplary role in the fall of the DDR. The Dominican teachings of Bartolomé de las Casas could also serve as inspiration for a politics of human rights, in a Christian understanding of human dignity as a universal value, even and especially in relations with non-believers.\textsuperscript{33} Religion in this sense, Schäuble contended, was vital for Western society: Habermas’s notion of ‘constitutional patriotism’ was no substitute. Christianity, so rendered, was less a theology than a functional part of the identity of Europe, where it took the form of a secular state built on the concessions of each religion. Every effort should be expended to preserve this arrangement.

\textit{The Franco-German axis}

Once the CDU/CSU was returned to power in 2009, Merkel moved Schäuble to the Ministry of Finance, the most powerful position in the Cabinet. There, over the next seven years, he became for the first time as famous as the dominant economic force in the Eurozone, and leading enforcer of austerity across the Union, in response to the long recession that set in after the crash of 2008. In this period, of fraught economic crises and intense political operations, there was no time for another addition to his collected works. Instead, launched in early 2016, came a book-length exchange with his opposite number in France, Michel Sapin, helped by prompts from two respectful journalists, published under the title \textit{Anders Gemeinsam}—‘Differently Together’—in Germany, and in more hortatory style \textit{Jamais sans l’Europe!}—‘Never Without Europe!’—in France, each edition enjoying the unction of Merkel and Hollande. The conceit of the design, presenting a supposedly odd couple brought together under the acute stress of the euro crisis, was to demonstrate the Franco-German complementarity required for a

\textsuperscript{32} ZM, pp. 125, 133.

\textsuperscript{33} See \textit{Braucht unsere Gesellschaft Religion?} Berlin 2009, pp. 16–17, 56–7.
thriving EU by way of a joint eye-witness account of its recent history by its main agents. Significantly, the initiative for the book came from Sapin, no doubt seeking to borrow reflected lustre from the greater eminence of his interlocutor.

Predictably, the politics of latter-day Christian and social democracy being so close, the exchange reveals far more commonality than difference. Each man, while noting his respective national tradition, dwells at official length on a European identity that accommodates but transcends this. How European in any deeper sense either figure is, the book leaves ample room for doubt. Schäuble is particularly proud of the Charlemagne Prize, top totem of valiance for European unity (previous recipients include Kissinger and Clinton, Blair and the Euro (sic); the latest is Timothy Garton Ash), but there is little evidence he has ever spent a day outside his country other than on official business. Symptomatically, SMS communications between him and Sapin are neither in French nor in German, but in English—which ‘must be accepted as the common language of Europe’.\textsuperscript{34} Logically enough, binding the partners together in this medium is the unswerving Atlantic orientation of each.

The design of the book follows, nevertheless, one consistent thread in Schäuble’s outlook. Perhaps the most pregnant single statement of his political career was a CDU position paper he co-authored with Karl Lamers in 1994. Blandly entitled ‘Reflections on European policy’, its thesis was far from anodyne, at the time or since. Germany’s new geopolitical position in the middle of a continent delivered of Communism, on the eve of enlargement to EFTA and in due course former COMECON countries, required a clear-sighted path to a stronger Europe. Deepening must come before widening. This could only be based on close coordination of monetary, budgetary and socio-economic policies in the ‘core’ of the European Union that consisted of ‘five or six’ countries, briskly reduced to just five: Germany, France and the Benelux trio—Italy pointedly excluded. Within this set, there was ‘the core of the core’—naturally Germany and France. These two powers were the motor of European integration, and agreement between them should precede any

\textsuperscript{34} Wolfgang Schäuble and Michel Sapin, \textit{Anders Gemeinsam}, Hamburg 2016, pp. 27–9, 33: henceforth AG. Although Schäuble says that he reads French—school-taught in Baden—more readily than English, he told Sapin at an IMF meeting in Washington that he must improve his English, a \textit{sine qua non} for a Finance Minister.
Union-wide or extra-Union initiatives. France would have to overcome its unrealistic nostalgia for a national sovereignty that had become an empty shell, and EU institutions must be updated in a new constitutional settlement that made sure the core—so too, the core of the core—was not impeded from moving ahead to greater inner unity by vetoes from other members of the Union.

Reaction to these forthright proposals was predictably explosive at the time, and they could not be publicly reiterated by Schäuble fifteen years later, when the fallout from Maastricht was all too clear, and popular confidence in the Union had steeply declined. In *Anders Gemeinsam*, Schäuble is more tight-lipped, largely confining himself to support for a directly elected President of the European Commission as a step towards political, as distinct from monetary, union. More urgent questions dominate his dialogue with Sapin. Does Germany bear any responsibility for the travails of the Eurozone since 2009? None whatever, Schäuble declares. Germany has simply outperformed its neighbours, who far from complaining about it, should be grateful for its stellar record and learn from its example. ‘They criticize German policy, but we have better results than those who criticize us.’ The dynamism of the Federal Republic, combining an export surplus, buoyant domestic demand, fiscal rigour and absence of inflation, points the way forward for the continent. ‘We are the growth locomotive of Europe.’ Should proliferation of ‘mini-jobs’, precarious employment and a higher rate of poverty than France be accounted blemishes on this record? Dismissing Eurostat data as misleading, and ignoring measures for assessing differences in living standards across discrete economies, Schäuble retorts that poverty is a relative concept: someone classified as poor in Germany would be counted as rich in Estonia. Nor does the massive, growing inequality of German society, documented in Marcel Fratzscher’s virtually simultaneous *Verteilungskampf*, not to speak of the yet more urgent warnings of the charity consortium Paritätische Gesamtverband, find any place in his self-satisfied image of the Bundesrepublik.

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36 See Marcel Fratzscher, *Verteilungskampf: Warum Deutschland immer ungleicher wird*, Munich 2016, passim, who—though himself advocating a slimmer state—bluntly concludes that the social market economy has become less and less social: pp. 10, 242–3, etc. For Fratzscher’s ideological profile, see my review of his previous work, *Die Deutschland Illusion: ‘Germany’s Faltering Motor?’*, NLR 93, May–June 2015. For further data on inequality, consult Der Paritätische Gesamtverband, *Bericht zur Armutsentwicklung in Deutschland* 2017.
All in all, Germany is above reproach. But has monetary union in Europe been equally spotless? Schäuble is a little more guarded in his praise, but emphatic enough. True, the EU has not seen enough growth. But nothing could be more facile than to attribute the headwinds faced by its economies to Berlin, while sparing the failures of the Federal Reserve, the BRICS or Abenomics from criticism. The single currency was not to blame for the crisis of 2008, and without it, the consequences would have been much worse, exacerbating the differences between member countries. ‘Economically, we are on the right road’, and ‘despite all the crises, in my view, the euro is a success’. The term austerity might have the wrong resonance in other countries, but it had no bad name in Germany.

**Handling Greece and the periphery**

Had he been especially hard on Greece? In the most interesting pages of Anders Gemeinsam, Schäuble makes it clear that he was actually more lucid than his fellow Eurocrats in dealing with the collapse of the Greek economy. Greece should, of course, never be allowed to escape ultimate fulfillment of its obligations. But as early as 2011, against furious and ultimately successful American opposition, Schäuble was willing to inflict a haircut on bondholders. Not only that, he urged Athens to take a temporary ‘time-out’ from the single currency, to allow for a devaluation to restore its external balances; this suggestion was rejected by the corpulent PASOK boss Venizelos, and also in 2015, when Tsipras had taken over. Then it was France, not Germany, Sapin and not Schäuble, who insisted on keeping Greece shackled to the euro, with the eager compliance of Tsipras, on the grounds that to allow a time-out could fatally encourage Portugal, Spain and Italy, with their own sky-high debts, to follow suit, undermining the credibility of the Eurozone. Merkel, determined there should be no conflict between Berlin and Paris, overruled Schäuble, allowing Tsipras to return to Athens announcing the calvary to which it was now consigned as a liberation. In their reminiscences of the crisis, the real difference between the two Finance Ministers emerges starkly: not one of ideology or conviction, where scarcely anything separates them, but character—Sapin enthusing over

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38 See WikiLeaks release, 1 July 2015: ‘Merkel Bugged While Pondering Greece Crisis’, in which the NSA tapped Merkel’s efforts to rein Schäuble in.
39 AG, pp. 177–9.
Tsipras’s genius in using the very referendum that rejected surrender to the Troika to give him the authority to accept it, Schäuble expressing his contempt for such double-dealing with voters, against which he warned Tsipras on the very first occasion he met him.\textsuperscript{40}

On the wider European role in the world, the two ministers stood shoulder to shoulder on the Ukraine, the dangers of terrorism, and the need for harder borders to protect the Union, with ongoing Frontex patrols in the Mediterranean and eventually—Sapin is happy to envisage—French and German customs officials stationed in Greece. If France has taken the lead in combatting threats to European security in Mali or Syria, Germany has played its part alongside it. While Schäuble notes the burdens of the past that limit Berlin’s ability to pursue too forward a policy in security matters, Sapin has no inhibitions in stressing the importance of armed force for the Union: ‘the strength of our community of fate must also find expression in our ability to influence what happens around us’. So too ‘the absolute necessity to intervene’ in adjacent regions to stem the tide of refugees pouring into Europe from them.\textsuperscript{41} Soon after the appearance of the book, Schäuble would proudly claim paternity of the German deal to keep refugees caged in Turkey under the police regime of Erdogan,\textsuperscript{42} who was offered timely diplomatic support for another electoral victory by Merkel.

In the end, however, the most revealing aspect of \textit{Anders Gemeinsam} is its demonstration of Schäuble’s attitude to the discipline theoretically informing the portfolio he holds. He has little time for economists, who disagree with each other, and have never produced a real science. Markets are what generate prosperity and growth, and neo-liberal demands for competitiveness and contraction of the welfare state to diminish dependency are non-negotiable requirements of the age of globalization. But the market economy must also be social, ensuring institutional regularity and security for its agents, and continuity of the moral and cultural patrimony of Western civilization that allows for ease of commercial transactions. There, political management sensitive to the changing expectations of collective psychology is essential. The economists to be respected are those like Daniel Kahneman who study these, rather than fools like Paul Krugman whom no one of any standing in Germany takes

\textsuperscript{40} AG, pp. 180, 203. \textsuperscript{41} AG, pp. 225, 52–3, 233. \textsuperscript{42} ‘Der Westen ist jetzt im Stresstest’, \textit{Die Zeit}, 21 December 2016.
seriously. It was Erhard who said: ‘Over 50 per cent of economic policy is psychology.’ To which Schäuble adds: ‘Politics is much more a question of psychology than of hard facts.’43 In institutions as in individuals, credibility or trustworthiness, as opposed to doctrinal inflexibility, is the key value that he prides himself on possessing, and the German public recognizes in him.

Not an original thinker, if an assiduous reader and competent middling writer, Schäuble’s outlook is a compound of socio-economic ideas of a generically ordo-liberal background, and political tropes of essentially Cold War vintage, as warmed-over by his most recent enthusiasm, the leaden hymnal to the West of the right-wing SPD historian Heinrich August Winkler. But by force of character he has given these an energy and consistency that none of his generation of Union politicians can match. In the land of Euro-mummies, a self-declared cripple is king.

43 AG, pp. 73–6, 109.