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Goodbye to Wolfgang Schauble

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Wolfgang Schauble, the current German Finance Minister, will shortly leave his post to take up his new role of speaker of the German Bundestag. Although he is probably unknown to the average man in the street, he has been possibly the most influential and damaging politician in Europe throughout the course of the Eurozone crisis.

Despite his role as the most senior European finance minister he is expert in law not economics. He is the standard bearer of the German "ordo-liberal" view that prizes the mercantilist vision of export competitiveness, the accumulation of surpluses, the pursuit of low inflation and, befitting a lawyer, the law of contract.

Under most circumstances these attributes would be regarded as virtues but as Paul Krugman has noted many times, under some economic conditions, such virtue turns to vice particularly the focus on deficits and austerity when private demand is weak and inflation is at or below zero.

Schauble was instrumental in making it illegal for Germany to run a budget deficit effectively closing off a key instrument of macro-economic policy and forcing the economic adjustment, post Eurozone crisis, onto Germany's European partners.

The treatment of Keynes at the Versailles peace conference of 1919 offers a warning to those who fail to understand the consequences of their actions in the pursuit of a single target.

Keynes was a passionate and trenchant opponent of the Versailles Peace Treaty. He regarded it as dangerously punitive and profoundly damaging to European postwar reconstruction, recovery and growth. He predicted higher inflation, weak economic growth and political unrest.

"***Reparation*** *was their main excursion into the economic field and they settled it as a problem of theology, of politics, of electoral chicane, from every point of view except that of the future of the states whose destiny they were handling*."

For reparation read "austerity;" or in Britain read "Brexit."

Germany's single-minded focus on debt reduction, to the exclusion of other European interests throughout the Eurozone crisis, very nearly led to the break-up of the Euro, a risk which has not entirely disappeared.

Keynes was ignored at Versailles; his arguments were simply not understood by the key protagonists. Expert opinion may be difficult but, as it subsequently became clear, it is valuable.

Wolfgang Schauble is expert in law and in German politics. Neither attribute was of much use at a time of economic crisis. His departure is an opportunity to elevate European interests over German and for his successor to push at the opening door of the nascent European economic recovery.