Fundamentalist Economic Policy

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While Germany is widely seen as one of the world’s economic superstars, it is about to lose a great deal of its wealth. The reason is a fundamentalist economic policy which aims at rescuing the Euro, the world clime, and solving to a great deal the world refugee crisis, paying for millions of immigrants entering the country since autumn 2015. The estimates of the risks for the current generation of taxpayers amount to some 4.8 trillion Euro, nearly 60,000 Euro per head. The author concludes that a return to a Popper-style Open Society, with ethics of responsibility replacing the ethics of conviction, would lead back to a more rational policy style. Even more, it would help to restore the rule of law, thereby being an ethical value in itself. However, at the time being, German government prefers a fundamentalist approach, neglecting conflicts of interest, direct and indirect costs, and opportunity costs, i.e., brushing aside more efficient means to achieve the “ultimate values” which picture this kind of policy.

Keywords: Germany, economic policy, ethics of conviction, ethics of responsibility, migration, clime, energy, Euro system

Why This Paper? Because German Wealth Is on the Roulette Table

Germany is Europe’s miracle economy in this decennium. High employment, a sound real growth, and low levels of debt are the ingredients for being the lighthouse economy of the old continent.

Yet, in sharp contrast, there is a tendency towards a somehow strange economic policy. Major decisions like the Euro rescue schemes, the energy turnaround as part of the climate protection policy, and the migration policy have hardly been discussed in the public. There were only a few debates in the Federal Parliament, the German Bundestag, mostly uncontroversial. A big deal of the media expressed uncritical support (Seifert, 2016) to a policy which was declared to have “no alternative”.

This is surprising given the fact that all the above-mentioned policies involve severe financial burdens, both for the present, and for the future. We talk about 4.8 trillion Euro which have been spent or are at risk for the German taxpayer, 147% of current GDP. Per head, the burden amounts to 59,200€, almost exactly the net wealth of the average German (Hagelüken, 2016) who is on the bottom of 18 Eurozone countries, like half a decade ago (ECB, 2013).

The studies considered here considerably differ in terms of assumptions, methods, and time horizon. We are for the Euro case on the upper side, for the energy policy on the lower side. We took the immigration policy cost estimate from the study we believe to be best in terms of methodology, adding some indirect costs for
infrastructure. The per head figures are given by dividing the best cost estimates through 81 million inhabitants. Sources are given below.

Table 1

<table>
<thead>
<tr>
<th>Policy field</th>
<th>Plausible cost estimate</th>
<th>Per inhabitant</th>
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<tbody>
<tr>
<td>Euro rescue schemes</td>
<td>2.8 trillion Euro</td>
<td>~34,600 Euro</td>
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<tr>
<td>Immigration policy</td>
<td>0.9-1.1 trillion Euro</td>
<td>~12,300 Euro</td>
</tr>
<tr>
<td>Energy turnaround</td>
<td>0.5-1.5 trillion Euro</td>
<td>~12,300 Euro</td>
</tr>
<tr>
<td>Total</td>
<td>~4.8 trillion Euro</td>
<td>~59,200 Euro</td>
</tr>
</tbody>
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Notes. German GDP$\text{2017} \approx 3.26$ trillion Euro; Cost Estimate/GDP$\text{2017} \approx 147\%$.

Germany traditionally was, and is, an innovative economy, carried by talented people, a high level of professional skills, an excellent work ethics, and widely absent social conflicts. This contributed to a strong economic success over most of the post-war period. Yet, the proceeds of this work, and the fruit of the efforts, are likely to vanish into thin air. That is why the author of this paper spoke about “German wealth on the roulette table” at a conference in Latvia in summer 2017.

Economic policy used to be rational in terms of aims and means in most economies in most of the time—we will present the rationality concept as a cornerstone in Section I. To some extent, paternalistic concepts have been adopted—they are described in Section II. Now, yet, a new style, the fundamentalist economic policy, has been introduced by German government. We will define this term in Section III and have a look on the important basic concept of “Solidarity” in Section IV.

Fundamentalist is a (economic) policy:
- which refers to “ultimate” aims denying the existence of any meaningful alternative;
- which ignores any conflict of interest to other aims and/or values;
- which does not care about (opportunity) costs;
- where the own role, accountability and solidarity is over- emphasized.

In the following sections V-VII we demonstrate the fundamentalism of German economic policy regarding the Euro, the fight against poverty and misery in the world, and the fight for a better world climate, including the “green” energy policy. Finally, in Section VIII, we will refer to Karl Popper’s concept of an Open Society as opposed to any kind of fundamentalism. Popper made a compelling case that the decision for rationality is an ethical one: exchanging arguments, mutual listening and understanding, and finding the best solution are the ethical fundament of democracy.

Section I: Rationality

Traditional textbooks picture a rational economic policy. The politicians are elected to improve the economic well-being of people or at least part of them. Maximizing wealth is the undisputed (implicit) aim in whatever kind of economic policy.

In welfare theory there was a long discussion if there is a social welfare maximum, to be derived from individual optimization. As we know, for every ex-ante distribution of wealth there exists a Pareto optimum where no trade can improve at least one person without hurting another. However, there are many social optima, one for each ex-ante distribution of income and wealth (Erlei, 2007). Whether this underlying distribution is desirable or not, is a normative question which cannot be solved by pure scientific means. We simplify here
suggesting that an overall well-being, based on a generally accepted distribution of income and wealth, is the standard aim of a rational economic policy.

Public choice theory taught us that politicians can be selfish utility-maximisers, looking for (more) power, fighting to be elected (Shaw, 1993). While this could explain non-rational actions, the organisation of pressure groups and undue rent-seeking, one should keep in mind that all decisions have to match the preferences and requirements of the median voter. This holds especially in a two-party system. Even if the median voter lacks an incentive to control the elected (Downs, 1957), independent media can do the job for him. The free and open discussion should move the politicians towards more rationality, sooner or later. Also, the contestability of the “political markets”\(^1\) can contribute to rationality despite selfish politicians. While traditionally the Big Two, the Union (Christian Democrats)\(^2\) and Social Democrats dominated German post war parliaments, alternately supported by the Liberals, there are now three more parties in Bundestag: The Greens, the Left, and the more right-wing “Alternative for Germany”. Especially the last one can be understood as a reaction to the paternalistic and fundamentalist policy style which ruled the economic policy more and more in the last few years.

Despite of the limitations to a rational economic policy, we believe that, at least in most western countries, and in most of the time, there was a great deal of rationality in economic policy. The policy makers accepted their responsibility to make markets work appropriately. Many things considered as misleading, or damaging, have been battled by changes in the legal and political framework of the economy, and interventions both on the micro- and macro-economic level.

A standard case for intervention on the micro level is externalities, be they positive or negative. For example, private demand for education is generally too low because the positive externalities (less poverty, less crime, more political stability, better education of the next generation) do not enter the private utility function. Likewise, negative externalities, like pollution, come from the divergence between private and social costs so that the marginal costs of some products are too low. Subsidizing the positive and taxing the negative externalities—the famous Pigou tax—are a way to make markets better perform (Hartwig, 2007; Mankiw & Taylor, 2016).

In macro-economics, the obvious need for the stabilization of economic activity, and the related fight against high cyclical unemployment, allowed the Keynesianism to become one of the most influential economic schools ever. Despite of the short-comings of the Keynesian fiscal and monetary stabilization policy (Cassel & Thieme 2007), many economists (and citizens) would still agree once asked if the state should interfere in a severe crisis.

The means are submitted to rationality requirements, as well: The fiscal policy should stimulate consumption, but not contribute to an unsustainable public debt; the environmental protection should be done by market-conform actions, and not by strict bids and bans which may hamper innovation; the re-distribution from rich to poor should not destroy the incentives to work.

In the case of potential conflicts of interest, the rational politician should carefully weigh up. Facing the short-run Phillips curve conflict between the unemployment and inflation rate, the side effects of whatever policy should be minimized.

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\(^1\) This can happen by the growth of smaller parties which suddenly outnumber the 5% minimum of votes required by law to move into the Bundestag, or the rise of completely new players.

\(^2\) Strictly speaking, there are two Christian parties in Germany. The CSU is the smaller one, being active only in Bavaria; the CDU is the bigger one, present in Germany ex Bavaria.
Every politician who would consider these issues, could be classified as “Verantwortungsethiker” (ethical in terms of responsibility, for details see Section III) in Max Weber’s sense as he would be carefully thinking about the efficiency and unintended costs of any action (Weber, 1919; 1926). The responsible politician weighs carefully the pros and cons of each action to make the country better off.

**Section II: Paternalism**

Many recent textbooks put into question the rationality of people. Psychological experiments showed that people often follow their emotions, that they aren’t informed well, and that their actions are far from being time consistent.

Accordingly, there are numerous examples where the state pretends to know peoples’ “true” needs better than themselves. That is why many politicians apply strict, and sometimes dogmatic, actions to redirect people into what they think is the right direction. Yet, we would classify this attitude as paternalistic rather than fundamentalist: correcting, but not neglecting peoples’ preferences.

There are, for example, the merit goods, where the individuals’ preferences are supposedly too weak to result into the “right” level of demand. Education is such an example. If people had free choice, many of them would not allow their children to go to school. Here the state normally interferes by imposing a mandatory nine or ten years school attendance for children.

Enforced education is an intervention into the time preference and risk attitude of people. In former times, with agriculture being the dominant sector in the economy, children and young people were cheap helpers in the farm of their parents. While their productivity was low, they contributed to the current well-being of their family and to the current GDP of their country. Once stuck into school, their contribution to agriculture fell dramatically. In exchange, their future productivity rose, and they could make a higher contribution to later years’ GDP. Hence, this is a choice between present and future consumption. The investment consists of costs and opportunity costs of the education today, while the return is higher income tomorrow. However, there was historically a strong resistance to the mandatory school attendance as, for poor farmer family, the return of education often seemed to be too risky, and/or too low. Technically speaking, their discount rate was too high. Consequently, they preferred “no education”, but “consumption today”.

A state imposing a minimum school attendance of, say, 10 years, disregards these risk and time preference issues. If there are positive externalities of education, as put forward above, please subsidize families, but give them the ultimate decision over either taking the subsidy and educate children, or to reject the subsidy and let children, for example, work in the own business. But this choice is not given in most western countries; instead, the state acts paternalistic by enforcing the mandatory school attendance for all.

Another reason for the regulation of individual behaviour and the freedom to contract is asymmetric information, including the principal-agent problem. Asymmetric information can make a market collapse—the classic case is Akerlof’s *The Market for Lemons* (Akerlof, 1970). Demanding insurance can produce big incentives to disclose information, for example when applying for health insurance (Mankiw & Taylor, 2016). Finally, wealth managers and banks use to have superior information over the capital market and its products, like derivatives. This may lead to a situation where client/savers are taking more risk than they want, just because of a lack of understanding.

In all these cases governments give strict rules for contracts, both regarding pre-contract duties (disclosing of relevant information and conflicts of interest, requirement for a detailed documentation, good governance,
etc.), and after-contract rules. Thus, a contract may be null and void if one side has hurt the rules of good faith. Anyway, while for some economists it is up to the contract parties to inform themselves and to learn sufficiently to understand what they sign, for others the state’s interference helps solving the asymmetric information problem and contributes to a better performance of markets. The ambition to strengthen the individuals on the weaker side of the market frequently arises from paternalistic thinking.

A clearer step in paternalistic intervention into individuals’ preferences was done by behavioural economics. Richard Thaler, one of the pioneers of this psycho-economics, got the Nobel Prize in 2017.

The main story is that individuals are not as rational as modelled by the *homo oeconomicus*. Numerous experiments demonstrate this. A good example is the endowment effect (Kahnemann, 2014). Losing one Euro makes people suffer more than forgiving the opportunity to gain one Euro. They value things they possess higher while, when being on the demand side for the same good, their willingness to pay is comparatively low.

There are numerous examples for restricted or bounded rationality. A paternalistic answer is, for example, “nudging”. By psychological tricks people are pushed towards the “right” direction—at least what the policy makers think to be right. While fighting against obesity and the preference for healthy nutrition is often confirmed by people, they don’t behave so in practice. Then, politics can prompt canteens to offer fruit instead of sweet deserts. Even more, if the fruit is placed within reach, but the pudding behind, people rather take the fruit because it is more comfortable. A simple arrangement with substantial impact.

Like for merit goods and regulation of asymmetric contracts many economists say that the state has not automatically the better knowledge of what is good for people or not. Interfering into the preference is rather seen as a manipulation than a bless (Funk, 2015). Nevertheless, the paternalistic nudging is, or has been adopted, by many governments, including those in the U.S. under Obama, U.K., and Germany under Merkel.

The essence of a paternalistic policy is “correcting” individual preferences. It is much less than fundamentalism.

### Section III: Fundamentalism

Fundamentalism is a “usually religious movement or point of view characterized by a return to fundamental principles, by rigid adherence to those principles, and often by intolerance of other views and opposition to secularism”\(^3\). While it is well-known in a religious context, the concept has not been adopted to modern economics, so far. This may be surprising because the Marxism as the powerful alternative to market-based economic orders can be understood as a fundamentalist view of economic history. It understands history as a process, driven by social and economic forces, with the aim of freeing the workers’ class, of overcoming alienation, and putting the workers’ collective onto the head of the final socialist (or communist) society. Being deterministic, there is no room for individuals’ choices, for political action, social reform or whatsoever (Eucken, 1990). In other words, there is no reason to discuss and debate, to look and strive for the best way to shape society. This may help explain the “intolerance of other views” once socialist societies emerged.

By contrast, emerging (western) democracies are a free platform designed for finding and implementing the best solution to whatever problem. Such an “open society” (Karl Popper, we will come back later to him) has no final or paramount objective. It is rather a piecemeal effort to improve things, like the economic welfare of people.

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Yet, many problems, and many decisions, have an ethical dimension, and cannot be understood in a pure rational frame. But what is ethics? Here we can refer to the German economist and sociologist Max Weber who made a strong distinction between the ethics of responsibility (*Verantwortungsethik*) and the ethics of conviction (*Gesinnungsethik*). In his famous Munich 1919 speech “Politik als Beruf” (Politics as a Profession) he described the problem from the point of view of a decision-maker. The one who takes responsibility for both intended and not-intended consequences of his or her decision is driven by *Verantwortungsethik*. The one acting according to a dominant set of rules and values, rejecting any responsibility for the unintended aspects of his or her decision, is governed by *Gesinnungsethik* (Weber, 1919; 1926).

The ethics of responsibility is a way of finding rationally the best means for whatever objective, while the ethics of conviction refers to the implementation of an ultimate goal, what Marxists, as mentioned, tend to do: “By emphasizing the causality to which a free agent subscribes”, in short, Weber prescribes an ethical integrity between action and consequences, instead of a Kantian emphasis on that between action and intention.

According to the ethic of conviction, on the other hand, a free agent should be able to choose autonomously not only the means, but also the end; “this concept of personality finds its ‘essence’ in the constancy of its inner relation to certain ultimate ‘values’ and ‘meanings’ of life” (Kim, 2017).

The *Gesinnungsethik* is the motivation behind the actions of a fundamentalist policy maker. It places ultimate values over rational considerations. The individual or collective well-being, target of rational and, to some extent, paternalistic politicians, does not play a role, at least in the short run. (In the very long run, once the “world is saved”, mutating to a new paradise, individuals are promised to get what they never had expected in their boldest dreams). It has an elevated level of abstraction since it is the overall, highest, paramount values of mankind which have to be pursued. The noble intentions dominate the practical outcome.

Yet, how can we identify fundamentalist economic policy, as opposed to the rational and/or paternalistic one? We find that the fundamentalist approach can be defined by the following four criteria.

1. On the level of goals: Definition of a goal, action or attitude as undisputable, good, necessary, “*alternativlos*” (a word, Merkel used amid the Euro crisis, and displeased many Germans: “there is no alternative to rescuing Greece”). Sometimes referring to a superior, paramount objective up to “saving the entire world”.

2. Disregard of any conflict of interest, both with other, competing aims or with other values. Breach of law is often accepted or at least tolerated.

3. On the level of means: Disregard of the direct expenses, indirect costs and opportunity costs to realize this great and unquestionable aim. This implies, of course, the exclusion of any alternative calculation.

4. On the level of actors, the accountability of the “own” country is very much stressed. The own country and its people have to help in an act of infinite *solidarity*. It is rarely recognized that other countries, other entities, or a superordinate body like EU, IMF, or UN could have superior means for solving the problem.

In Table 2 we summarize the differences between the economic policy styles discussed so far.

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4 Yet, some politicians do not seem to feel responsible; they obviously feel immune by the noblesse of their aims. Chancellor Angela Merkel did not concede any mistake after the heavy 8.5 percentage point losses of her CDU in the Autumn 2017 elections. Instead, she leads the new government together with the Social Democrats who lost 5.2 points. [https://www.merkur.de/politik/merkel-erkennt-keine-fehler-im-wahlkampf-bleibt-alles-beim-alten-zr-8726007.html](https://www.merkur.de/politik/merkel-erkennt-keine-fehler-im-wahlkampf-bleibt-alles-beim-alten-zr-8726007.html), accessed on 8 February 2018.
Table 2

**Overview Over the Policy Styles**

<table>
<thead>
<tr>
<th>Policy style</th>
<th>Aims</th>
<th>Means</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rational</td>
<td>Improve or maximize individual and social wealth</td>
<td>Making markets performing better, e.g., removing externalities, stabilising business cycles</td>
</tr>
<tr>
<td>Paternalistic</td>
<td>Improve individual and social well-being</td>
<td>Correcting individual preferences, e.g., time preference, risk attitudes, psychological short-comings by taxes, subsidies, psychology etc.; strengthening information level, knowledge, abilities of people on the “weaker” market side</td>
</tr>
<tr>
<td>Fundamentalist</td>
<td>Pursue “higher” or “absolute” values, often overriding the needs and preferences of the own country/citizens</td>
<td>Arbitrary, i.e., no real consideration of (opportunity) costs, alternative solutions, conflict to other values, contracts, culture, customs etc.</td>
</tr>
</tbody>
</table>

Section IV: Solidarity

In point (4) of our definition of fundamentalist policy, we introduced the concept of solidarity as the emotional imperative to substantiate the need for own action.

Solidarity once was a concept referring to reciprocity. For example, families or clans are built around concepts of solidarity, i.e., once one gets in trouble, the others would help him. Reciprocity, and thereby solidarity, is a basic concept in modern insurance, too. We pay health insurance because the people falling ill, or getting injured, get a compensation from the collective not affected.

Some 100 years ago, the concept of solidarity was developed by Heinrich Pesch who looked for a “third way” between capitalism and socialism (Ederer & Pesch, 1991). Pesch was Jesuit pater, and economist, too. He detested both the exaggerated individualism, and collectivism. He believed in the ability of men to shape the social and economic environment, to act like a social engineer. Needless to say, that Friedrich August von Hayek would severely oppose, as for him, a top-down design of a society was evil. Instead, social orders would evolve spontaneously, driven by the freedom of the individuals, and the freedom of markets.

Later, solidarity developed to a comprehensive concept of social justice, aiming at diminishing the income differences within a society by strong re-distribution. Even more, a world-wide solidarity would plane the huge differences of the standard of living (Rhonheimer, 2016). Hence, “rich” countries should show solidarity with “poor” countries. The reasons given were borrowed from the left-wing: the era of colonialism, the unfair world trade regime, the support of corrupt elites in 3rd world countries by western countries. Instead of reciprocity we find here a one-way interpretation of solidarity as a tight form of (mandatory) charity.

How far these patterns of interpretation have entered the mindset even of members of the German Government became evident in the *Tagesschau* from 18 May 2017 (one of the most popular newscasts in Germany). The minister for developing aid, Gerd Müller, said, Germans could not continue to live their comfortable life on the back of the people in Africa and elsewhere; otherwise these people would come and take what is really their own.

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5 Quoted from the 20:00-Tagesschau (newscast) of 18 May 2017, source NDR (North German Broadcast company), last part highlighted by the author of this paper. Recently, Angela Merkel confirmed in Davos the responsibility of Europe. “Wir sind mit verantwortlich für die Lage in Afrika. Die Europäer stehen in einer tiefen Schuld wegen der Kolonialisierung” (“We are, among others, responsible for the situation in Africa. The European are deeply indebted [to Africa] because of the colonisation”, http://de.euronews.com/2018/01/24/angela-merkel-rede-beim-weltwirtschaftsforum-in-davos, accessed on 8 February 2018.)
It is a fact that solidarity now means helping the poor. It is much more demanding, much more emotional than the old concept of charity. Solidarity is obligatory, whereas charity was voluntarily. Even more, solidarity is an emotional imperative to help the poor and suffering throughout the world. While this is not wrong by itself, we feel that the kind of solidarity established today means more: equalization, i.e., the same standard of living (including education, safety, social insurance, cultural and social “participation”) for all the citizens of the One World.

**Section V: Rescuing the Euro**

As it is well known, the Euro area fell into crisis one decade after its set-up due to an unsustainable high level of private and/or public debt in some member countries. One culmination point was the crisis in Greece when private investors rejected to pour money into the country and tried, instead, to sell the Greek assets, cleaning up their portfolios. In this moment, Greece was at the brink of bankruptcy. Germany took the lead for recovering Greece. This was maybe the first time that a remarkable fundamentalism could be observed in German economic policy.

1) The ultimate aim

First, Rescuing Greece in May 2010, and in the years after, was communicated as an undebatable good and necessary thing. The term “alternativlos” was used for the first time by chancellor Angela Merkel in a parliament debate on 19 May 2010. She further said: “If the Euro fails, Europe will fall”. Please note that the goal pursued had significantly changed. On the same day German Bundestag had to decide over a 123 billion Euro package for Greece, the goal was lifted almost to heaven: not supporting Greece but rescuing “Europe”. Europe in this context stands for all the positive things of European integration after World War II: Peace, economic welfare, freedom to travel, mutual understanding, overcoming the iron curtain. “Europe” was a metaphor for what generations had dreamed of, but never achieved. The implicit message was: “There is no alternative way of organizing the way Europeans live together, and of preserving all these good things; that is why Greece has to be rescued”. It is obvious, that lifting Greece to such an outstanding importance fully meets our first criterion.

Note that just two months before Chancellor Merkel had made a strong case for the European stability pact as defined in the treaties of Maastricht and Lisbon. She was afraid that otherwise the common currency could be substantially weakened (Starbatty, 2013, p. 142).

2) Disregarding the law and conflicts of interest

A further indication of the fundamentalist character of saving Greece & Co. is that all major conflicts of interest were neglected, and that major contracts were breached. The Maastricht and Lisbon treaties banned the bail out of a Euro member; no state should take the debt of another one. But the fiscal stability rules were wiped off when starting to “rescue” the Eurozone. IMF leader Christine Lagarde clearly confirmed that the European treaties had to be broken for implementing the transfer mechanism.

A German constitutional judge, Paul Kirchhof, criticized that the instability of law would be worse than the instability of the financial sector, and reminded that according to the rule of law Government would stand under the law, not above (Starbatty, 2013, pp. 162-163). The former pope Benedict XVI. made a compelling

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case for the rule of law in his 2011 speech in German Bundestag. He cited the Holy Augustinus: “Take away the law—what else will be the government but a big bunch of thieves” (Benedict XVI, 2011).

The role of the European Central Bank (ECB) has also altered. According to its charter, it is responsible for price stability. Nowadays, it is a lender of last resort, a “bad bank” for all the (junk) bonds from all over the Eurozone. Its new aim seems to be to finance the banks and states in southern Europe, above all. The ECB replaces private capital, thus assuming risks formerly taken by private investors. Even more, since a couple of years, it gives a free credit insurance to the remaining private financiers. The ECB tells them that it would keep on buying these bonds so that the probability of increasing returns, and hence, the risk of loss, would nearly disappear. This is a clear bail-in, i.e., a free lunch for all investors who can make their profits but can pass over their losses to the public-owned ECB.

It is evident that international rules and constitutional law had been broken by the action of German government and its allies. In the aftermath, there were several lawsuits at German Bundesverfassungsgericht (Constitutional Court of Justice), but the results are more than disappointing. While the right of the parliament to control the public budget was enforced against the hurried push-through of high-cost rescue packages, the decision on the lax monetary policy was handed over to the European Court of Justice who supported the ECB case as to the acquisition of public bonds.

The biggest German party, the CDU, had promised in the 1999 campaign that Germany would never be liable for other countries’ debts. The CDU, governing then and in 2010, reneged on its promise.

(3) Irrelevance of costs

In our context it is important that the overall costs described below have not been estimated, and submitted, to the Parliament when deciding on the rescue packages for Greece and others. There is no transparent overview over the costs of saving the Euro or whatever. All the elements have to be estimated and puzzled together by economic think tanks, university researchers, and by studying the bulletins of ECB and other institutions. As if it would mean: Money doesn’t matter (when saving Europe).

Most obvious are the German 97 billion Euro paid as part of bilateral programmes (Ifo Institute, 2017/18), and the 190 billion Euro paid-in and promised to the current ESM umbrella (European Stability Mechanism). But there are other budgets and institutions, somehow shadow budgets, where tremendously higher costs are hidden.

The ECB printed money to buy public bonds worth 1.89 trillion Euro until end-of 2017 and plans further transaction of some Euro 30 billion month per month until October 2018. This means that the ECB will have bonds worth Euro 2.2 trillion, mainly from crisis countries, on its balance sheets. “Worth” needs to be put into question, since, given this massive intervention, the bond prices do not reflect their true market value. If the

7 In a ridiculous effort to justify the breach of the fiscal stability rules, Article 122 of the Lisbon agreement was cited by Viviane Reding, European Commissioner for Justice, Fundamental Rights (!) and Citizenship. This article refers to outstanding reasons, natural catastrophes and disasters. In this case, voluntary financial subsidies from outside are allowed for. Yet, the Euro crisis was and is in fact a debt crisis, and nobody can claim that debt is a natural catastrophe. It has political and economic roots. Debt, and too a too high public debt, is a consequence of free decisions of parliaments and governments, mostly, to make gifts to voters to come into power (Starbatty 2013, pp. 158-159).
9 http://www.faz.net/aktuell/wirtschaft/eurokrise/ifo-chef-sinn-kritisiert-eugh-urteil-zu-ezb-anleihkaeufe-13649888.html, accessed on 13 January 2018
ECB had not bought that massively these securities, their prices would have been much lower (and their return much higher). But how much? We have no market to inform us over “true” supply and demand conditions, hence the fair value.

Perhaps the only way to get an idea is a glance on Junk Bonds. These are bonds with very low quality as the ability of issuers to pay interest and redeem the debt is questionable. Venezuela’s public bonds had, when these lines were written, a junk bond status, with the market value amounting to around one quarter of the face value. By contrast, European junk bonds are not perceptible due to the unlimited guarantee given by the ECB—remember the famous sentence “whatever it takes” from ECB leader Mario Draghi in London 2012.

What happens, if the ECB stops buying, what, if some countries or even the whole Euro-zone breaks down? Then, Germany would have to take at least 25% of the losses, according to its stake in ECB. One example: Would non-performing bonds amount to 2,000 billion Euro face value and 0.5 billion Euro market value, Germany would have to bear a quarter of the related loss of 1,500 billion Euro, i.e. 375 billion Euro—more than total federal state’s expenses. German Bundesbank, which used to finance part of the federal budget by its profits, would be unable to post a profit for a long time. Hence, the government would have to raise taxes, restrict public expenditure, or take more debt, or a combination of all this. Undoubtedly it would be a big loss to German citizens and taxpayers.

A further way of financing crisis states in southern Europe is the excessive use of the Target 2 system of the European Central Bank System. These states imported more than they exported; hence, they needed financing. In theory, trade deficits are covered by loans from countries with a trade balance surplus\textsuperscript{11}. Loans would be paid out from the north to the south of Europe, and the same money would flow back when paying the south’s import bill to the north.

Yet, in Euroland, every country can “print” money by itself. For example, Greece made abundant use of the ELA (Emergency Liquidity Assistance) credits. These Greek Central Bank credits are allowed under the Euro Regime for quick reactions to small, regional crisis. Yet, Greece “printed” the money to “finance” its trade deficits, and capital outflows. Consequently, after 2010 there was only a thin river of private loans to Greece, but a big flow of printed money from Greece to northern Europe.

For accounting reasons which are pointed out in Sinn (2012) and Osbild (2014), the German Bundesbank, which must execute the payments required by the Greek Central Bank, keeps an asset called “target claims” in its balance sheet. It is a kind of Central Bank Credit from Germany to Greece, without being represented by a bond traded in the securities market, without coupon and redeem conditions, without any collateral. It is more like an overdraft loan (Sinn, 2012). Yet, if Eurozone bursts, then it is totally unclear how to deal with target claims (and the corresponding target liabilities of south European countries).

Sinn argues this could result in a total loss of target claims. Even if this is a worst-case scenario, it is worth having a look on this, because of its size. German target claims account for some 800 billion Euro, with the number being quite volatile from month to month. Nevertheless, in case of write-downs, the Bundesbank would have a lower profit, or even a loss. There would be a severe damage to the German tax payer, like in the case of the junk bonds in the books of ECB. Bear in mind that these are potential future costs; at the time being,

\textsuperscript{11} This surplus is equivalent to a surplus of domestic savings over domestic investments (Mankiw/Taylor, 2016).
uncovered Target claims represent risks to Germany.\footnote{12}

There is another category of costs, related to the low interest rate. While this is a gain for borrowers, it is a cost, or opportunity cost to savers. Germany as a total is a net saving country with life insurance being a very popular form of saving. Osbild showed that, over the next 30 years, the opportunity costs for Germans holding a life insurance contract amount to 500-650 billion Euro; in addition to that there are foregone interest revenues from bank accounts, money market instruments, pension funds, provisions in health insurance etc. of at least the same range (Osbild, 2014, p. 58). Adding the economic loss from the negligible interest on target loans that replaced market securities (Osbild, 2014, p. 33) and subtracting interest gains for the government and private borrowers\footnote{13}, we guess that net interest revenues of far over one trillion Euro cannot be realized.

Alternative scenarios like Greece’s leaving the Eurozone are not considered. The costs are not calculated, and the benefits neither. Maybe they would be less than maintaining for decades the rescue schemes. The simple reason is that Greece (and other countries) could introduce again an own currency which could depreciate to restore the international competitiveness of the economy. There is much evidence that, while the immediate devaluation is felt as a shock, the medium-term effect would be positive, as seen in the Asia crisis 1997.

Table 3

\begin{table}[h]
\centering
\caption{Estimating the Potential Costs of the Euro-crisis (Trillion Euro)}
\begin{tabular}{cccc}
ESM + direct support & Target 2 claims & ECB junk bonds & Net forgone interest revenues & Total payments, opportunity costs and "wealth at risk" for German taxpayers/savers \\
0.3 trn € & \textasciitilde0.8 trn € & 0.4 trn € & 1.3 trn € & 2.8 trn € \\
\end{tabular}
\end{table}


(4) Germany’s infinite solidarity

Who is the right actor to save Greece (or southern Europe, or the Euro, or Europe)? To the German government it is obvious that Germany has the foremost obligation to help. Responsibility and solidarity were the key words when justifying the illegal support to the crisis countries.

There were put forward several rational justifications to support the south, and especially Greece:

(a) Germany is rich, Greece is poor. Some reform measures imposed to Greece made life hard for many Greeks; hence, it is an act of solidarity to support them.

(b) Germany has benefitted most from the Euro—it’s exports are sky-rock high. Germany is Exportweltmeister (export world champion), so many jobs and high income is generated due to European integration and the Euro (Hagelüken, 2013).

(c) Germany benefits from peace in Europe and the world and has to sacrifice something, given the historic load of Nazi regime.

\footnote{12} Even if the target claims would “disappear”, i.e., the Bundesbank would not have to write them off in case of a breakdown of the Eurozone, then there is a wealth loss to Germans. It is comparable to shareholders who have no obligation for a margin call for equity losses of their company; yet, they have lost part of their wealth (Sinn, 2015, p. 20). Sinn also cites the former Greek Minister of Finance Varoufakis and the ECB admitting that there is rather a solvency than a liquidity problem (Sinn, 2015, p. 17).

\footnote{13} The total private net wealth amounts to 3.7 trillion Euro (https://www.deutsche-handwerks-zeitung.de/pro-kopf-guthaben-in-deutschland-steigt/150/3093/185580, accessed on 12 February 2018). Assume an opportunity cost of 2% over 20 years, we have, disregarding discounting, a loss of 1.3 trillion Euro. On the other hand, there are yearly investment by companies of around 500 billion Euro (IW, 2016, p. 23) which are partly (re-)financed by lower-interest loans and securities. Also, the official public debt of 2 trillion Euro is refinanced little by little at lower rates. This may contribute to savings of 200-300 billion Euro which have to be substracted, resulting in a net interest loss of 1.25 trillion Euro pre Target 2.
All that resulted in the claim of a special responsibility of Germany towards Greece. Yet, all these arguments are highly questionable:

(a) Greek citizens’ net wealth before the crisis was as double as high as Germans’. A survey conducted by the ECB showed that the median Greek had a net wealth of some 101,900 Euro, while the median German had a mere 51,400 Euro, standing at the bottom of the entire Eurozone (ECB, 2013).

Of course, the wealth of the people is mirrored by the debt of the state. The high public debt raised by Greece was used to inflate the public service, to maintain big semi-public sectors like utilities, telecom, and transport, and to pay high salaries in all these areas. Moreover, social benefits were pretty high. Some laws, such as the continuation of retirement payments to the heirs, are even ridiculous given the widely acknowledged standards in modern western countries. Also, lack of control frequently made it possible to avoid taxes and to get transfer payments without entitlement. All this contributed to a big net wealth of people which was obviously not justified by the productivity of the Greek economy.\(^{14}\)

The tax-to-GDP ratio amounted, when the crisis broke out, to some 30%, some 10 percentage points less than in Germany and in Europe on average.

Regarding the GDP per head, Germany was 19th in the world, Greece was 28th. This is not such a significant difference to justify hundreds of billions of transfers, as described above.

All in all, there was enough potential for Greeks to help themselves. A better and more efficient tax regime, less corruption and a better market order could have contributed to a dedicated support for the state. Instead, European taxpayers, especially the German ones, took the risks, while a big deal of the private wealth remained untouched.

(b) The main export countries of Germany are the U.S., China, U.K., and France. Only a small fraction of the export is sold to the crisis countries (Fratzscher, 2014). Of course, this contributed to the income of workers and capital owners in the main export sectors. Yet, the “export world champion” arguments neglect some basic economic truths.

Import surpluses have to be financed by the savings of export surplus countries. This means, that Greece & Co. needed credit from the north of the Eurozone to finance the abundant imports preceding the crisis. Hence, the (small) export gains of capital owners and workers in, say, German automotive industry, was financed by the savers of Germany (and other countries, of course. But let’s keep things simple). Now, in the brink of the crisis, the investors, i.e., banks, insurances and funds extending German savers’ money to Greece, have been bailed out by German taxpayers (a more or less identical group). This means that the German taxpayer now is in the role of lender, with all the risks involved, while automotive sector and others continue to be the benefitted. In other words, the export surplus to this part of Europe is nothing but a huge Keynesian fiscal programme, a big subsidy of German taxpayers to the own exporters. If Greece fails, Germans have to bear the loss. From this point of view, it is hard to maintain that the export surplus adds wealth to the Germans in total: the gains of the export sector is (more than) outweighed by the risks and losses of the taxpayers and savers.

We agree to the European Commission which warned the excess countries would face a risk to lose part of their foreign wealth by devaluation of the loans and bonds, such experiencing a lower level of consumption than some current account deficit countries (European Commission, 2012).

\(^{14}\) We have to add that there was a big contribution of the unofficial, or “black”, economy, which is in Greece the highest in Europe, amounting to 26-28% of GDP, according to Schneider (2010).
Finally, isn’t it worth keeping a good understanding, neighbourhood and peace within Europe, seven decades after WWII? Yes, but don’t disregard the public good character of “peace”. Why should only Germany pay for peace when all the other nations around, including the crisis countries, benefit from the absence of war, too?

Moreover, the Euro was introduced in 1999, and in the 54 years before, there was no war in Europe, too, except in the West Balkan. Countries outside the Eurozone also performed well in the years after 1999, with GDP growth rates and trade balances often being higher and sounder than those of the Eurozone. There is also no conflict or war between Euro and non-Euro members (like Denmark, Sweden, Poland, U.K.); and the few independent nations around like Switzerland, Iceland, and Norway co-operate in peace, too. Why then paying for peace?

An obvious argument is that Germany is not paying alone; indeed, other European states and the IMF are involved into the financing framework. While Germany’s direct exposure is in line with its weight within the Eurozone (Ifo Institut, 2017/18), the picture changes once we include the target balances and interest losses. Then the total potential loss amounts to the incredible figure of 2.8 trillion Euros or 34,600 Euros per head, equal to one VW Passat for each single one of the 81 million inhabitants.

This is enough evidence for our 4th argument for fundamentalist policy: Germany bears an unproportionable high share of the payments and the risks. We don’t know any other country which has some 90% of its GDP for one single policy on the roulette table. But fundamentalists don’t think so: they want to do it more or less alone, and they don’t bother about costs.

This is supported by some anecdotical evidence demonstrating the lack of knowledge of German deputies when deciding on one of the first rescue schemes. Leaving the plenary hall after deciding upon the EFSF, the predecessor of the ESM, the predecessor of them were asked for the exposure of the German taxpayer. Typical answers were “I don’t know the details”, “Can’t say it by heart”, “250 or 200 billion Euro?” At least the latter was not bad. The right answer would have been 211 billion (Schrang, 2016, pp. 32-33).

To sum up: Germany is the wrong entity to save Greece, southern Europe, or Europe as a whole. The reasons officially spelt out are weak; the costs are not transparent, the risk amount to some 90% of current GDP. The ultimate goal of maintaining the Euro, and saving Europe, is said to be so important, that other considerations are wiped off the table.

Section VI: Immigration—Fighting the Misery in the World

Germany has a generous Grundsicherung (social basic income) for long-term unemployed, disabled, immigrants, and elderly with low pensions. It helps the poor getting a basic transfer income to live in dignity, and beyond the minimum.

The best-known sub-scheme is popularly called “Hartz IV”. Peter Hartz, former VW manager, advised the ex-chancellor Gerhard Schröder when introducing far-reaching reforms to fight unemployment. Hartz IV is the sub-system dealing with transfers to long-term unemployed.

The basic needs are defined as a lump sum of 409 Euro for the first adult person in a household, plus 368 Euro for the second one, for example his wife. If there are children living with them, they receive money depending on their age. For example, 7-14 years old children get 291 Euro per month.

In addition, local authorities pay the “adequate” rent which may be equivalent to 50 square meters flat for a single person, and some 100-110 square meters for a five persons household. In mid-sized towns
like Mannheim, Wuppertal or Oldenburg, the square meter prices are around 9 Euro, so that the family gets 1,000 Euro benefit for housing. Additionally, heating costs and warm water expenses are covered by the public, too.

Besides this, there are numerous extra benefits for buying furniture, school-related expenses, a for-free-health insurance, and many other benefits in kind. For example, costs for courts and lawyers are usually borne by the municipality, and there are many rebates up to zero, like for the public broadcast tax.

We calculate here an example for a family with three children, aged 7-14. They get benefits of 3,475 Euro per month, cash and in-kind.

Table 4

| Social Basic Income (“Hartz IV”) for a Household of Two Adults and Three Children |
|---------------------------------|---------------------------------|
| Basic monthly benefit           | 1,650 Euro                      |
| Rent                            | 1,000 Euro                      |
| Heating, warm water etc.        | 275 Euro                        |
| Public health insurance contrib. | 450 Euro                        |
| One-off payments/benefits in kind | 100 Euro                      |
| Sum per family per month        | 3,475 Euro                      |

Source: Own calculations. For own expertise: Numerous “Hartz IV calculators” to be found in the web.

This is a net benefit. One man or woman working alone, while the partner cares of the children and the household, would have to earn 4,100 Euro gross. Deducting a tax- and social contribution-rate of 30% but adding back the Kindergeld (children allowance) of 586 Euro, this household would have roughly the same net income, apart from the disutility of working.

Unfortunately, the average gross salary in Germany is far lower: 2,787 Euro\textsuperscript{15}. This in turn means, both parents would have to find a job, to outperform the Hartz IV family in terms of consumption.

Starting in autumn 2015, more than one million people entered Germany as the government refused to safeguard the borders. Many of them got help according to the Asylbewerberleistungsgesetz, a special basic needs package for asylum seekers. After some months or years, these people—if they are allowed to stay and if they are available for the labour market—switch to Hartz IV\textsuperscript{16}.

Note that there is no Obergrenze (upper limit) —neither for the number of immigrants, nor the payments to them\textsuperscript{17}. One of the most extreme cases happened in Montabaur, a smaller city north of Frankfurt, where a Syrian family, consisting of one man with his four wives and 23 children, gets a monthly public subsidy of


\textsuperscript{16} For simplicity reasons, we do not consider the special group of not accompanied young immigrants as for this group there are many special rules. The payments to them, and to the (German) families taking care of them, by far exceed the standard minimum of existence transfers under Soziale Grundversorgung, resp. Hartz IV. Some Bundesländer reported costs per head exceeding 50,000 Euro per year. The Städte-und Gemeindebund (association of cities and villages) says costs would amount to 4.8 billion Euro for 64,000 cases, on average 75,000 Euro per head. http://www.epochtimes.de/politik/deutschland/ist-jeder-minderjaehrig-aktualisierte-minderjaehrige-fluechtlingskosten-2017-vier-milliarden-euro-a2083952.html and http://www.epochtimes.de/politik/deutschland/50-000-euro-kosten-pro-unbegleitetem-fluechtlingskind-a2345548.html, both accessed on 13 February 2018.

\textsuperscript{17} Right now, in the new coalition agreement between CDU/CSU and SPD, there is a 180,000-220,000 headcount corridor, but there are also some loopholes. This figure relates to the “unmittelbar steuerbaren Teil der Zuwanderung” (directly controllable part of the immigration) which seems to include that other parts of the immigration are and stay out of control (Koalitionsvertrag, 2018, p. 15).
30,000 Euro\textsuperscript{18}.

We will apply our four criteria demonstrating that the immigration of over one million people is far from being rational but one example more for the fundamentalist attitude of German (economic) policy.

(1) The ultimate aim

The upper goal of the government seemed to be humanity. So many people had transgressed the continent, waiting in Hungary for going to north. While Austria and Sweden closed pretty soon their borders, the German border was left open for over half a year. Still there is an influx of several hundred per day. An estimated one million immigrants were the consequence. But what did politicians, and most media, say? “Asylum is an individual right, open for everyone in the world, not restricted by German constitution”.

There is no upper limit for immigration, and the German word for upper limit, Obergrenze, is since then one of the most important in the political debate. But the existence of this Obergrenze has been denied by leading politicians. Merkel (2015) stated that the constitutional right for victims of political persecution has no upper limit; the same would hold for those coming from the hell of a civil war.

She was supported by the two major churches in Germany, the catholic church, and the protestants (Landeskirchen). Both rejected the idea of an upper limit, referring to the parable of the Good Samaritan in the Gospel of Luke. The head of the German catholic bishops, cardinal Marx (2016), demanded for safer streets to Germany, while his protestant colleague Bedford-Strohm (2015) said that Germany would be the hostel in the parable. Fundamentalist though they can be, they didn't even consider the limited capacity of hotels, infrastructure, and countries.

The “infinite” charity is, by the way, not the key point in the Good Samaritan parable. Jesus wanted to explain the question: Who deserves my charity? The answer is context dependant. The injured man in the parable was only one, not a million, and he was supported for a certain period, not forever. The conclusion is to help at the right time at the right place, but, after support has been delivered, there is no further obligation.

The victim in the parable was for sure hurt by the robbers. But the immigrants? The majority claimed to have “lost” their passports, or had fake identities, so that their background could not be validated. Many of them seem to come rather from the Maghreb than from Syria, and there was wide evidence that false passports could easily be procured. After all, a mere 1% was recognized as asylum seekers so far.

To sum up, neither the call for humanity, nor Christian charity, can justify requiring infinite support to whomever. Fundamentalists deny that resources are scarce. They use to neglect spatial, physical, financial, and personal constraints. It should be a matter of common sense that Germany cannot fight the misery of the world by allowing the poor to dwell in Germany.

(2) Disregarding conflicts of interest

It is obvious that there was a conflict of interest on several levels:

- Many laws were broken to allow the immigration of so many people. First, constitutional law (Grundgesetz, GG) obviously was hurt. Art 16 a Abs. 2 ff. GG enforces a restrictive interpretation of the

\textsuperscript{18} http://www.epochtimes.de/politik/deutschland/montabaur-syrischer-harem-trifft-auf-deutsche-dorflandschaft-eine-grossfamilie-mit-4-frauen-und-23-kindern-kommt-a1934378.html, accessed 13 January 2018, referring to an article of “Rhein-Zeitung”. Also “Bild”—a newspaper like the British Sun—reported this case. There is a calculation that the subsidy to this family equals the average salary of 12.2 or the income tax of 95.5 craftsmen. The term family is not correct here as only one wife is recognized by German law. But the local administration argues that the man has a duty to maintain the other persons, too, thus justifying the benefits. http://www.denken-macht-frei.info/syrer-mit-vier-frauen-und-23-kindern-erhaelt-monatlich-ca-30-030-e/, accessed on 13 January 2018.
European level Dublin III decree. This stipulates that the asylum seekers have to apply for asylum in the first EU country they enter. From this point of view, the people heading towards Germany should have had to submit their application in Hungary, Greece, or Italy, depending on their route. Yet, German government accepted that they did not do so, acknowledging their wish to live in Germany, and not in Hungary, for instance. It is sure that the German constitution was breached (Schachtschneider, 2015)\(^{19}\).

- There are many cases where incoming people hat no or wrong identity papers. While this is against the law in Germany, most of these cases have not been traced by police and prosecutors (partly because of work overload). This involves questions like the equality before law.
- There was no debate in parliament. The relevant decisions were taken by the Central government alone, say, Angela Merkel. This is a blow to basic democratic rules: the German people never was asked as to whether it would accept or not these big waves of immigration (Fischer, 2016a).
- The duty of the government is to work for the best of the people. Their role as voters and taxpayers require that their democratic rights to be regarded and preserved. Neglecting all that is a violation of the political and democratic culture. These competing values have not been respected by the German government (Fischer, 2016b).
- The influx of over one million people means that the infrastructure in Germany is overloaded. The infrastructure of a country is a club good (Sinn, 2016), which has been produced and financed by the citizens who in turn can exclude those without contribution. Now, after opening it to the immigrants for free, there is a new level of rivalry to residents, for example in the housing market.
- A government should respect the Christian culture and the feeling of the own identity. This would become difficult or impossible if too many people come in with a differing religion and cultural background which are, or seem to be, incompatible to the domestic culture (Kirchhof, 2018; Merkel, 2018).

(3) Irrelevance of costs

The costs are neglected. Most immigrants have a low educational level; many of them are analphabets. Thus, combined with the lack of language skills, it is more than questionable if and when they can integrate into the labour market, earning their life and that of their families (Brücker, Hauptmann, & Sirries, 2017).

The fiscal impact estimated by of major economists is far from being encouraging. Bernd Raffelhüschen, economist from Freiburg, and one of the main advisors of the government with social policy reforms, estimates that if two million immigrants arrive until 2020, the burden for public finance will amount to 900 billion Euro. Raffelhüschen assumes that it takes six years on average to find a job, and that most of the refugees, as they are called in Germany, pay less taxes and social security contribution than they receive as public transfers and benefits over their lifetime. These 900 billion Euro are equivalent to a sudden rise of the hidden public debt of 32 percentage points of GDP (Raffelhüschen & Moog, 2016).

Raffelhüschen's assumptions are not discussed here in detail but given recent experiences with education and labour market participation of people coming from the very same regions (Sachverständigenrat, 2015/16),

\(^{19}\) Also, the former Constitutional Court members Papier and di Fabio argued like this (Sinn, 2016), likewise the German Parliament’s Scientific Service (2017).
his estimates do not seem to be pessimistic\textsuperscript{20}.

Other studies came to disillusioning results, too. The \textit{Institut für Weltwirtschaft}, Kiel (2015) estimates the fiscal burden only for the years 2016-2022 to amount to 130 billion Euro. In an older paper written by Bonin (ZEW Mannheim, 2014), the deficit per immigrant was estimated to amount to 79,100 Euro per head. But be aware that this refers to the situation before the big influx in autumn 2015; consequently, the assumptions regarding education and labor market integration were derived from the foreigners living in Germany since long\textsuperscript{21}. That is why we think they are way too optimistic. The only study posting a positive impact of the immigration was disproved by methodological faults (van Suntum & Schultewolter, 2016).

Indirect costs relate to necessary investments into the infrastructure, including the construction of new housing. Estimates are up to 100 billion Euro (Körting, 2016), while the author of this paper guesses a “mere” 50 billion Euro bill, supported by data on social housing programmes\textsuperscript{22}; on top there are high expenses for fresh staff in administration, courts, social services, and the police.

The extra money for education is estimated to amount to 1.4 to 3.2 billion Euro per year (Andritzky, Aretz, Christofzik, & Schmidt, 2016), while Körting, former minister in the state Berlin, estimates a total extra 50 billion Euro investment.

Last but not least the burden to the public health insurance system will be in the range of two billion Euro, equal to 1\% of the total expenses, which is still low due to the average age of the migrants (van Suntum & Schultewolter, 2016). Anecdotal evidence shows that some diseases like the tuberculosis have found back their way to Germany (Spiegel, 2015) which means that costs could rise dramatically in worst case.

There are sky-rocket high opportunity costs. Fighting the poverty in the home countries of the migrants would require a fraction of the 23 billion Euro which were spent by the Germans for the migrants out of the Federal budget 2017:

- Given costs per head of 100 US-dollar, the malnutrition of one third of undernourished children all over the world could be removed (Mihatsch, 2012).
- The NGO Plan International claims costs of 120 US-dollar for a professional and 57 dollars for school education for women in Zimbabwe, so that, at least in theory, a triple digit million number of women and girls could be supported in the region.
- The UN sub-organisation FAO, the Food and Agriculture Organization, has 2.5 billion dollars per annum at its disposal. This means that Germany alone would have been able to finance a decade (!) of FAO projects, fighting starvation, and modernize the agriculture around the world.
- Many refugees came from camps in Jordan, Lebanon, and Turkey where the expenses for basic needs amounted to some 1,100 dollars per head per year, some 4\% of the recent Federal expenses of roughly 23,000 Euro per person\textsuperscript{23}.

\textsuperscript{20} According to Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung, Jahresgutachten 2015/2016, S. 247, the unemployment rates of people living in Germany mid-2014 are strongly correlated to their home. People from Syria, Iraq, and Afghanistan had unemployment rates of 48.6\%, 38.5\%, and 31.4\%, respectively, compared to 6.9\% in Germany as a whole, and 13.2\% for foreigners living in Germany. Note this holds for the time before the big influx.

\textsuperscript{21} They include many EU Europeans, along with people from Turkey, West Balkan, Russians, Americans, and others. The people immigrating since 2015, by contrast, have mostly Arab roots.

\textsuperscript{22} “25.000 neue Sozialwohnungen”. Rheinische Post 12 May 2017, B1.

(4) Germany’s infinite solidarity

It is sufficient to require asylum to get an immediate, often life-long entitlement to get the social basic income. This is pretty close to the concept of the unconditional basic income which has been introduced in a low-scale experiment by Finland where a few thousands unemployed get the 560 Euro per month without checking for poverty. Derived from religious concepts like the unique dignity of men before God, the unconditional basic income has some touch from what we call fundamentalism (Behrmann, 2017). The same holds true for German immigrants: they get the minimum transfers according to Hartz IV just because “they are there”. It is extremely difficult, and often denied by courts, to withdraw (part of) the money, e.g., in the case of low integration efforts. It is an unconditional subsidy, forever, for whomsoever.

It is obvious that Germany alone cannot solve the problems of hunger, war, and unemployment in the world. Moreover, it is extremely expensive to do so by integrating migrants into the German system of social benefits which was designed for inhabitants suffering from poverty. To some extent, a state is like an insurance company which cannot survive extending the size of the benefitted group over the size of the group paying contributions. The leaders of the big churches, cited above, are wrong. The extension over the entire world is rather hubris than altruism. It is a new form of fundamentalism.

Section VII: “Protecting” the Clime—Fundamentalist Energy Policy

Only a few days after the Tsunami devastating parts of Japan, and causing the nuclear plant of Fukushima to break, chancellor Merkel announced, without consulting the parliament, the so called Energiewende, the energy turnaround. German nuclear plants were required to shut down rapidly within a pre-defined time; the electricity should be delivered by green energy, i.e., wind and solar power. Note that the operation time for nuclear plants had been extended just one year before by the same chancellor Merkel—a similar volte-face to that in the Eurozone policy.

In the meantime, green energy has got one task more: to reduce the emission of climate damaging gases, above all CO₂. Thus, in the long term, the part of the German power production stemming from coal and gas, shall also be replaced by wind and sun.

Now, even many regions and towns have taken measures to “save” the climate. Pick some middle-sized towns like Oldenburg in the northwest, Wuppertal in the west, and Freiburg in the south: They and many others have concepts regarding the climate.

Here is not the right place to discuss the pros and cons of the men-made climate change which is discussed in length in thousands of official documents, mainly “pro”, but also “con” in some remarkable papers and blogs (see, for example, Frey, 2015 and the blog of EIKE). There is no evidence that the current climate is ‘optimal’. The computer models giving scenarios for the global warming do not meet strict scientific standards.

But forget all this for a while. Our argument is that even if the theory of the men-made earth heating holds true, Germany alone is unable to do anything important to save the climate. It contributes a mere 2% to

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world-wide CO\(_2\). Given the fact that only 3\% of the CO\(_2\) in atmosphere is “fresh” (97\% are already there, mainly due to sun activity), then 2\% times 3\% equals an annual German contribution of 0.06\% to existing CO\(_2\) which hardly results in any measurable temperature change.

Once again, we can demonstrate that we have here a case of fundamentalist policy.

1. The ultimate aim

Saving the world climate is equivalent to saving the world. There is no bigger aim, nothing of more importance. Yet, the world climate is, from an economic point of view, a public good. This means, no one can be “excluded” from the climate, be it good or bad, cold or warm, nor is there any kind of rivalry. Normally, nobody is willing to pay for a public good as he or she would face individual costs, while the benefits would spread to all because of the impossibility of exclusion (Weimann, 1996). So is climate: unless all seriously co-operate, there will be no success. Yet, the so-far known agreements from the world-wide climate conferences, like Paris 2016, are based on voluntary measures and leave plenty of loopholes for countries which are classified as under-developed.\(^27\)

2. Disregarding conflicts of interest

Law has been breached when chancellor Merkel declared a so-called moratorium. Seven older nuclear plants had to be switched off; others had to stop operations for a new safety check. Hans-Jürgen Papier, a former president of the Constitutional Court, argued that such a decision would be against constitution; only the Court, but not the Chancellor would be entitled to suspend a law passed earlier by Parliament (dpa/Zeit online, 2011).

The energy turnaround is re-distributive. While many companies are exempted from the high indirect taxes on electricity to strengthen their competitiveness, the private power price is one of the highest in Europe. Many poor households cannot afford it and are cut off by their provider (Schneider, 2017). The social impact of the energy policy has obviously been “forgotten”.

Another aspect is the distribution among countries. Economic theory requires the removal or avoidance of a damage where it is the cheapest (Hartwig, 2007). According to this efficiency argument, China and/or the U.S. should do more. Measured against the GDP in purchase-power units, in China emissions amount to 610 g per unit, in the U.S. 311 g, and in Germany 207 g (World Bank). With marginal avoidance costs likely to be lowest in China, they should do most. Instead, the country promotes the coal energy. Deducted from a marginal utility of income approach, the U.S. should do more since its GDP per head is almost 20\% higher than the German one.

3. Irrelevance of costs

The costs are immense, the benefits low. Take the energy turnaround. It will result in costs of 520 billion Euro until 2025, i.e., 6,300 Euro per family (Haucap, Loebert, & Thorwarth, n.d.). It is evident that this money is not available to alternative uses, from food and clothes to leisure activities. Hence, we have direct and indirect (opportunity) costs by re-directing peoples’ purchasing power to subsidised sectors where the productivity is low. Of course, the hope is to improve productivity, and to export the innovative technologies

\(^{27}\) We guess the hidden agenda and the true objective is a comprehensive redistribution from “north” to “south”. We found the statement of leading heads of PACJA, the Pan African Climate Justice Alliance, that Africa did not contribute to the climate change, but would bear the biggest burdens, and that the rich countries would ignore the cries of the poor (RTLnext 2015). Furthermore, according to Hillary Clinton, climate change is a matter for feminism since women have to bear most of the burden. http://dailycaller.com/2018/02/07/pruitt-global-warming-a-good-thing/, accessed on 12 February 2018.
all over the world. Yet, the positive job effects so far have been achieved by huge subsidies for the installation of wind and solar power; positive job effects in the export estimated by the Wuppertal Institute for Climate, Environment and Energy (Fischedieck et al., 2011) seem to be unsustainable. As we know, the German photovoltaics industry collapsed in recent years due to the cheap competition from China.

The HauCap estimates are on the lower end because the research is restricted to the years until 2025. Yet, there is no reason to believe that costs “finish” there; consequently, some even higher estimates are around. The Danish researcher Björn Lomborg writes that the major macro-economic models predict on average an annual cost of 43 billion Euro.

All efforts undertaken by Germany to promote the renewable energy will result in an estimated reduction of emissions of 148 megatons. According to the standard climate model, all the subsidies in the next 20 years reduce the [earth] temperature by a mere 0.001 degree Celsius by the end of the century or result into a delay of the temperature rise until the year 2100 by less than 18 days. No wonder that such an expensive energy policy which has such a minor impact on the climate cannot be understood by the rest of the world. (Lomborg, 2015)28

Other horror scenarios exist. In one of his most recent Munich lectures, Hans-Werner Sinn quoted the Federal Ministry for Economy and Energy that the energy turnaround would cost one billion Euro. Lüdecke (2016) includes potential grid crashes due to the discontinuity of wind and solar power; furthermore, he predicts high expenses for the new grid from North to South. Given the fact that many landowners sue against the construction and that, for environmental reasons, part of the cable will be laid subterranean, the total cost scenario of nine billion Euro until 2050 is not impossible. Yet, Lüdecke denies the innovation- and productivity-induced cost reductions brought forward by Bruckner and Kondziella (2012).

Of course, we have to acknowledge that there may also be some costs of climate change. For Germany, the damages avoided by Green Energy are calculated to amount to 11.6 billion Euro for 2014 (BMWi, 2016, p. 5)29. Unfortunately, this research was done after the main political decisions and cannot prove the rationality of the energy policy; moreover, the BMWi as part of the government could be biased, trying to justify ex post the high expenses related to green energy.

Shindell estimates the greenhouse-related social (atmospheric) damage caused by US electricity production to amount to 330-970 billion US Dollar per year. Yet, this is a pretty wide range, and the author is honest enough to say that these are “illustrative calculations” (Shindell, 2015, p. 1). The methodological short-comings of an accurate cost assessment of greenhouse gases make comparisons to alternative measures difficult—such as the construction of (higher) dikes to protect against the presumed sea-level rise, better water and irrigation systems in arid countries, and more emergencies in regions at risk. All that is not taken into consideration.

Note: The Paris agreement has fundamentalist elements, too. There is no detailed calculation over the impact of man-made climate change to the standard of living of mankind; nor is there any evidence that the costs of political action be lower than the presumed costs of earth heating. Finally, side effects, for example on

28 The original German text was translated by the author of this paper: “Sämtliche Anstrengungen, die Deutschland zur Förderung der erneuerbaren Energien unternimmt, werden geschätzt zu einer Senkung der Emissionen um jährlich 148 Megatonnen führen. Im Standard-Klimamodell führt die gesamte Förderung der nächsten 20 Jahre zu einer Reduktion um gerade einmal 0.001 Grad Celsius bis zum Ende des Jahrhunderts oder einer Hinauszögerung des Temperaturanstiegs bis zum Jahr 2,100 um weniger als 18 Tage. Es sollte kaum verwundern, dass eine derart teure Klimapolitik, die so wenig Auswirkung auf das Klima hat, für die restliche Welt kaum nachvollziehbar ist.”

29 According to BMWi (2016), there will be a positive GDP impact of 0.5% and 0.7% for 2020 and 2030, resp. (p. 48).
the water procurement, are not discussed: Will there enough cheap energy available for the desalination of salt water (McMaken, 2017)?

By the way, the German-style energy turnaround failed the objective of reducing the greenhouse gases (Umweltbundesamt, 2016; World Bank, 2017).

(4) Germany’s infinite solidarity

We have already argued that Germany alone is unable to save the world climate because it is a public good. However, we have to admit that at least the European Union makes some effort to change its energy mix. The globally installed green energy capacity amounts to 784 GW. Roughly one third is to be found in the EU (276 GW), and one third of this, 92 GW, is installed in Germany (BMWi, 2015).

Yet, Germany has one of the highest power prices in Europe, maybe because of its lack of sun and coast line which hamper the exploitation of sun and wind energy. The costs borne by Germany to make the world safer (less nuclear plants) and cooler (less greenhouse gases) cannot be justified given the minor impact on nuclear risks and world climate. Reviewing the relevant papers and studies we find that an overall bill of one billion Euro sounds plausible.

Conclusion: The Open Society as Bastion Against the Fundamentalism

We defined the fundamentalist economic policy by the absence of rationality, both when setting the goals, and when choosing the means and the relevant actors. This framework is quite close to Karl Popper’s distinction between rationality and irrationality (Popper, 2003, p. 272).

Popper—and this is a very strong argument—declares the decision for the rationality to be an ethical one. The rational policy is the prerequisite to democracy as it implies listening to others, exchanging arguments, understanding the opposite party. The open (democratic) society is one where the all arguments can be spelled out, and where a free society, independent from state and government, looks for the best solution (Popper, 2003, p. 281).

Irrationalism also pretends to use rational reasons. Many were mentioned to justify the Euro policy as demonstrated in Section V. Yet, it is a rationality without responsibility for the next generation as it will produce huge financial risks.

Popper warns of an attitude which he calls the rule of love—a concept quite similar to our unlimited solidarity. Trying to make people happy would be dangerous and result in totalitarianism. We would impose “our” values to them amidst the best intentions to save their souls. Yet, all attempts of men to construct the “heaven on earth” have led straightforward to hell (Popper, 2003, p. 272).

Germany is far from hell. But the lack of political debate, the over-emphasized political correctness which prevents the problems to be addressed, and an increasing gap between politicians, media, and citizens can hardly be denied.

Fundamentalism has resulted in wars, crusades, and burning of witches. Rationality has contributed to extended periods of prosperity, peace, and respect. Let’s go ahead on the right way.

References


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