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Between a Rock and a Hard Place: The Grand Coalition's Response to the Economic Crisis

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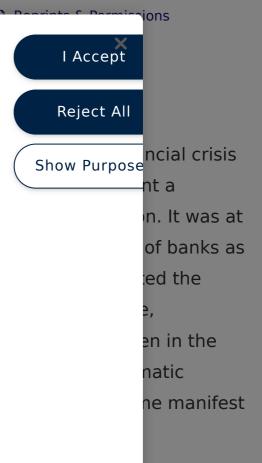
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Notes

Andreas Busch, Banking Regulation and Globalization (Oxford: Oxford University Press, 2009), p.247.

Bank for International Settlements, 79th report (Basel: BIS, 2009), chapter 4; OECD, OECD Economic Outlook, Interim Report March 2009 (Paris: OECD, 2009), pp.17ff.

See Statistisches Bundesamt, Press release No.174, 14.05.2010, available from <u>http://www.destatis.de/jetspeed/portal/cms/Sites/destatis/Internet/DE/Presse/pm/2010/0</u> <u>5/PD10 174 51,templateId=renderPrint.psml</u>

Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung (SVR), Die Zukunft nicht aufs Spiel setzen. Jahresgutachten 2009/2010 (Stuttgart: Metzler, 2009), p.46.

Cf. Christoph Egle and Reimut Zohlnhöfer, 'Die Große Koalition – eine "Koalition der neuen Möglichkeiten?"', in Christoph Egle and Reimut Zohlnhöfer (eds), Die zweite Große Koalition. Eine Bilanz der Regierung Merkel, 2005–2009 (Wiesbaden: VS, 2010), pp.11–25.

Manfred G. Schmidt 'Germany: The Grand Coalition State' in Iosen M. (Colomer (ed.),
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See Reimut Zohlnhöfer, 'New Possibilities or Permanent Gridlock? The Policies and Politics of the Grand Coalition', in Silvia Bolgherini and Florian Grotz (eds), Germany after the Grand Coalition. Governance and Politics in a Turbulent Environment (New York: Palgrave, 2010) for an overview, and the chapters in Egle and Zohlnhöfer (eds), Die zweite Große Koalition for the details.

Jeremy Leaman, 'Germany Country Report', in Bertelsmann Stiftung (ed.), Managing the Crisis. A Comparative Assessment of Economic Governance in 14 Economies (Gütersloh: Bertelsmann Foundation, 2010), p.3.

See Bank for International Settlements, 79th Report, p.91; Leaman, 'Germany', p.21.

Peer Steinbrück, 'Rede zur Einbringung des Bundeshaushaltes 2009', in Deutscher Bundestag, Stenografischer Bericht, 16. Wahlperiode, 174. Sitzung, 16 Sept. 2008, p.18548; cf. Henrik Enderlein, 'Finanzkrise und große Koalition: Eine Bewertung des Krisenmanagements der Bundesregierung', in Egle and Zohlnhöfer (eds), Die zweite Große Koalition, pp.238–40.

At that time, a volume of €35 billion was agreed upon of which private banks took over €8.4 billion (see Enderlein, 'Finanzkrise', pp.245–6). In the course of the crisis, however, much more public money had to be used to rescue HRE (see below).



OECD, Economic Surveys. Germany, p.90.

Large amounts of tax money would only be needed if a transferring bank would nevertheless go bankrupt.

SVR Die Zukunft nicht aufs Spiel setzen, p.127; OECD, Economic Surveys. Germany, p.90.

See Enderlein, 'Finanzkrise', pp.246-7.

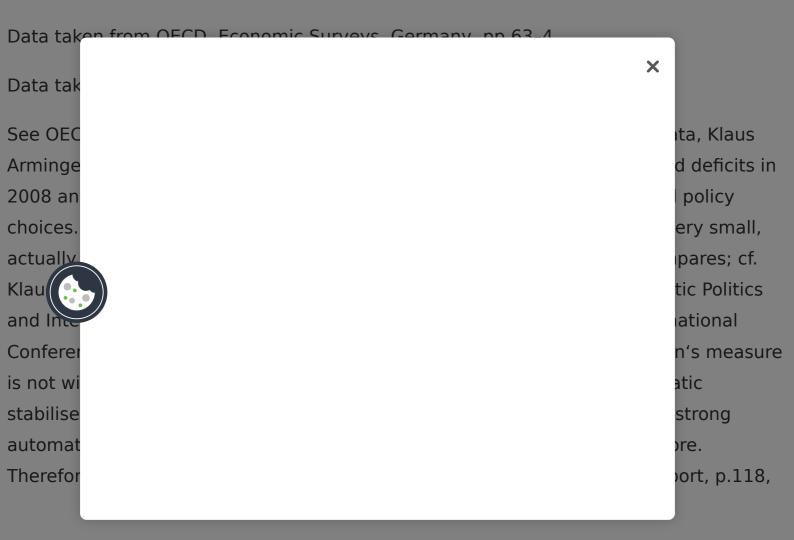
Participating banks may issue preferential shares which are somewhat exempt from future liabilities, however. This is hoped to allow participating banks to attract new capital.

See Leaman, 'Germany', p.26.

For the details cf. SVR, Die Zukunft nicht aufs Spiel setzen, pp.220-22.

See <u>http://www.bmwi.de/BMWi/Navigation/Wirtschaft/Konjunktur/Konjunkturpakete-1-und-2/wirtschaftsfonds-deutschland,did=314662.html</u> (accessed 19 Aug. 2010).

See Enderlein, 'Finanzkrise', pp.241-2.



finds an inverse relationship between the size of fiscal packages and the strength of automatic stabilisers.

E.g. cf. Peer Steinbrück's speech at the first reading of the relevant bills: Deutscher Bundestag, Stenografischer Bericht, 16. Wahlperiode, 215. Sitzung, 27 March 2009, p.23375.

See OECD, Economic Outlook, Interim Report, p.132, for this interpretation.

Leaman, 'Germany', p.24.

See OECD, Economic Outlook, Interim Report, p.110.

See OECD, OECD Revenue Statistics 1965-2007 (Paris: OECD, 2008), p.93 (Table 2).

See Enderlein, 'Finanzkrise', p. 243.

See OECD, Economic Outlook, Interim Report, p.106.

See Bank for International Settlements, 2009, p.113.

Leaman, 'Germany', p.18.

See Statistische Bundesamt: Press release No.099, 12 March 2010, available from

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See Enderlein, 'Finanzkrise'.

OECD, Economic Outlook, Interim Report, p.123.

BVerfG, 1 BvR 119/09, 26 March 2009.

See Enderlein, 'Finanzkrise', pp.246-8.

See Nicole Herweg and Reimut Zohlnhöfer, 'Das Verhältnis von Markt und Staat unter der Großen Koalition: Entstaatlichung in der Ruhe und Verstaatlichung während des Sturms?', in Egle and Zohlnhöfer (eds), Die zweite Große Koalition, pp.266–8.

See Spiegel Online, available from <u>http://www.spiegel.de/wirtschaft/0,1518,628067,00.html</u> (accessed 20 May 2010).

See FAZ.net, available from http://www.faz.net/s/RubD16E1F55D21144C4AE3F9DDF52B6E1D9/Doc~EA00D934ED7 7A4E89844E36D1D74F9E49~ATpl~Ecommon~Scontent.html (accessed 20 May 2010).

Daniel Goffart, Peter Müller and Peter Thelen, 'Koalitionsausschuss: 50-Milliarden-Konjunkturpaket kommt', available from <u>http://www.handelsblatt.com/politik/deutschland/50-milliarden-konjunkturpaket-</u> <u>kommt;2120591:0 (accessed 20 May 2010).</u>

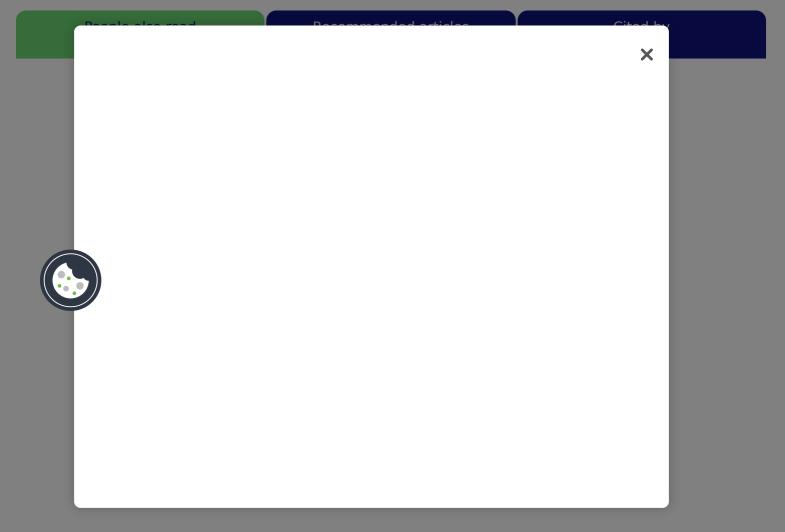
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Forschungsgruppe Wahlen, Politbarometer März I 2009 (44 per cent in favour, 50 per cent against), Infratest dimap, ARD-DeutschlandTrend April 2009, p.9, available from http://www.infratest-dimap.de/umfragen-analysen/bundesweit/ard-

<u>deutschlandtrend/2009/april/</u> (accessed 9 June 2010) (43 per cent in favour, 51 per cent against), Forschungsgruppe Wahlen, Politbarometer Mai I 2009 (33 per cent in favour, 61 per cent against).

According to Forschungsgruppe Wahlen, Politbarometer Juni 2009, only 18 per cent of the voters approved of government help for Arcandor while 77 per cent opposed. Similarly, 64 per cent of respondents were against a loan for the mail order firm Quelle which belonged to Arcandor, while 31 per cent were in favour. With regard to automotive supplier Scheffler/Continental, 65 per cent of the respondents argued it would be better not to intervene while only 28 approved of government help; cf. Infratest dimap, ARD-DeutschlandTrend March 2009, p.4, available from http://www.infratest-dimap.de/umfragen-analysen/bundesweit/arddeutschlandtrend/2009/maerz/ (accessed 9 June 2010).

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