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Kicking away the financial ladder? German development banking under economic globalisation

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augmented by membership in the European Union, and Germany's position as regional

hegemon within Europe. More broadly, this shows how, conditional on domestic politics, advanced economies are able to shape and exploit the rules of the international economic system to implement industrial policies to their advantage, even as developing countries are given the opposite policy recommendations.

Keywords: [Development banks](#) [industrial policy](#) [globalisation](#) [policy space](#) [finance](#) [Germany](#)

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Disclosure statement

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figure dramatically understates its importance, since KfW finance is targeted only towards specific sectors, and is meant to be catalysing in nature.

4. The total value of exports that KfW helped to finance in 1974 was about 10% of the export volume of durable capital goods to developing countries; the share of the latter in total German exports in turn amounts to roughly 5% (KfW, 1974, p. 72).

5. For example, KfW financed sales to Eastern Airlines in 1978, one of the weakest American airlines, which later became insolvent (Harries, [1998](#), p. 136).

6. These programmes have been important in financing SME investment since the 1980s; in 1985, the KfW financed 45% of the total investment of manufacturing small enterprises (revenues less than 5 mn. DM), and 20%–25% of medium firms (revenues between 5–10 mn. DM) (Götte, [1988](#)).

7. Self-financed loans made by KfW do not count towards core Federal budgets, and only the direct allocation from Federal or ERP budgets have to be recorded in the State Subsidies Reports (Subventionsberichte der Bundesregierung) as an officially declared subsidy (Bundesbank, [2000](#), p. 18).

8. The ERP fund was set up under the Marshall Plan, but when the Marshall plan ended in 1953, it was turned into a revolving fund for long-term investment loans, which grew over the decades due to the interest being earned (KfW annual reports for previous years).

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13. Firms have reported that KfW offers market window financing a full basis point lower than commercial banks (Mendelowitz, [2001](#), p. 175).
14. By 1989, the majority of KfW's financing for Airbus was provided on a market window basis (KfW, 1989, p. 41).
15. Deutsche Airbus was on the 'verge of bankruptcy' in 1989, necessitating a rescue plan by the German government, which included KfW providing a DM 505 mn. capital infusion by taking a 20% equity stake in the company (WTO, [2016](#), p. 267).
16. Musacchio and Lazzarini ([2014](#)) argue that the development bank lending to firms that are already competitive, and therefore able to raise finance privately, constitutes 'rent seeking' rather than industrial policy, because this merely subsidises the cost of capital, but does not increase productivity. We believe this argument does not apply to industries where there are sufficient scale economies. KfW financing remained vital to improving Airbus' productivity, even after it became internationally competitive, through enabling it to capture the market share, thus increasing the economics of scale and long-run productivity. Separately, KfW financed risky technological innovations, which would not have been financed in private markets.
17. Email correspondence on 17 October 2017.
18. Other important structural challenges included the Monetary Treaty, the effect of which has been to centralise decision-making in the Eurozone. The Single Supervisory Mechanism (SSM) has been established under German law, the effect of which has been to centralise decision-making in the Eurozone. The SSM is a key part of the Eurozone's financial architecture, and its establishment has been a significant step towards the completion of the Banking Union. The SSM is a key part of the Eurozone's financial architecture, and its establishment has been a significant step towards the completion of the Banking Union.
19. These challenges have been addressed by the German government, which has implemented a range of measures to support the development of the Eurozone. The German government has implemented a range of measures to support the development of the Eurozone, including the establishment of the SSM and the implementation of the Monetary Treaty. The German government has implemented a range of measures to support the development of the Eurozone, including the establishment of the SSM and the implementation of the Monetary Treaty.
20. For example, the German government has implemented a range of measures to support the development of the Eurozone, including the establishment of the SSM and the implementation of the Monetary Treaty. The German government has implemented a range of measures to support the development of the Eurozone, including the establishment of the SSM and the implementation of the Monetary Treaty.



21. These provide renewable energy producers a guaranteed price at which they can sell to the energy supplier, providing the producers with long-term security to encourage investment. The ultimate cost is passed on to the consumer.
22. Which in many cases would not have been possible without KfW financing, as KfW plays the role of lead bank in consortium lending.
23. The US Coalition of Solar Manufacturers that initiated investigations against China was led by the US arm of the German SolarWorld (Lewis, [2014](#)).
24. A coalition of European solar producers called ProSun was later formed to lead the filing of complaints at the WTO.

Additional information

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