

# A Good German Idea for 2018

Jan 4, 2018 | **YANIS VAROUFAKIS**

ATHENS – By 2016, almost all Europeans had realized that radical policy and institutional reforms were essential to revive the European project. Yet serious reform was impeded by the usual disagreement about what should be done – a dispute that Emmanuel Macron, France’s new president, once described as a “holy war” between German and French elites.

The year just ended, highlighted by the election of a French president much to German Chancellor Angela Merkel’s liking, demonstrated that, ultimately, it does not really matter who rules in Berlin and in Paris, or how much they like each other. The “holy war” persists, even if the missiles with which each side demolishes the other’s proposals are now wrapped in diplomatic velvet.

At the heart of this Franco-German war is the clash between two Rs: the German commitment to *rectitude* versus the French penchant for *redistribution*. German officials greet every French government proposal by mentally computing its cost for German taxpayers. And, behind every German counter-proposal, French officials see a ploy to hide behind rules and regulations so that the German elites can have their cake and eat it. Europe’s continued slide into stagnation and disrepute is the natural outcome.

Perhaps the German insistence on rectitude is right, although not in a sense that German officials will necessarily appreciate. I could not, in good conscience, side credibly with any French, Italian, or Greek proponent of redistribution if their proposals violated the principles of rectitude. Doing what is right is, surely, superior to doing what is wrong, but expedient. But then the question becomes: What is the right thing to do? And how can we agree on any answer, given our different interests, dispositions, and cultural backgrounds?

One thing is certain: We will never find out what rectitude commands if we are driven solely by our “interests.” Europe’s impasse is largely due to a standoff between opposing desires, objectives, and concerns: German fears of Greco-Latin rule-bending will always trump French fears of German empire-building, and vice versa. But if prejudicial desires lead to a dead end, and fail to reveal the right course of action, where does the key to

rectitude lie?

“We should all do our duty” – a very German reply – merely displaces the disagreement to another plane, where we interminably debate competing duties. All madmen in authority, after all, believed they were doing their duty. So the question becomes: “How can I know what my duty entails?” A theist answer is equally unacceptable, given the monstrous crimes carried out by zealots convinced they were fulfilling their divine duty. The best answer I have come across is German: Immanuel Kant’s, to be precise. For Kant, who struggled to re-define ethics in a new era of market societies, our duty can and must be deduced from our capacity for rationality. Unlike personal tastes, which are fickle and offer no sure path to happiness or virtue, duties can be discerned by a logical mechanism common to all humans.

To be rational means more than being able to deploy your means efficiently in order to achieve your ends. All sorts of animals are good at matching available means to given ends. But humans are unique, Kant insists, because, unlike cats and dogs, we can pass *rational judgment on our desires*. We can ask ourselves, “I like X, but should I?” And we can say, “It is my duty to do Y, even though Y will probably lead to outcomes I dislike, given my expectations of what others will do.”

But if the mark of a rational person is a capacity to act on reasons transcending cost-benefit analysis, how can our rational duty be deduced impartially, free of the influence of personal interests or prejudices?

Kant offers a famous example: Language is what distinguishes us from other species; without it, we are mere beasts. While lying often pays, if we all lied all the time, language would become obsolete. Rational humans, Kant concludes, must recognize that they have a duty to abstain from a practice (lying) that, if adopted by everyone at once, would annul our most precious invention (language).

No god is necessary, no moralizing is required, to demonstrate our duty to tell the truth. Practical reasoning is all it takes: A world where everyone lies is one in which human rationality, which depends entirely on language, dies. So it is our rational duty to tell the truth, regardless of the benefits lying might bring in practice.

Applied to market societies, Kant’s idea yields fascinating conclusions. Strategic reductions in price to undercut a competitor pass the test of rational duty (as long as prices do not fall below costs). After all, producing maximum quantities at minimum prices is the holy grail of any economy. But strategic reductions of wages to ever lower levels (the Uberization of society) cannot be rational, because the result would be a catastrophic collapse, owing to disappearing aggregate demand.

Turning to Europe, Kant’s principle implies important duties for governments and polities. And Germany and France would be held to be in dereliction of their duties to a functioning Europe.

If Germany's current-account surpluses, currently running at 9% of GDP, were universalized, with every member state's government, private sector, and households net savers, the euro would shoot through the roof, destroying most of Europe's manufacturing. Equally, universalized Greco-Latin deficits would turn Europe into a basket case.

The trick, and our rational duty, is to embrace policies and to build institutions that are consistent with balanced trade and financial flows. Put differently, authentic German rectitude cannot be achieved without a form of redistribution that is bound to clash with the interests of, say, a French or a Greek oligarchy too lazy to come to terms with its own unsustainability.

A critic of this German idea for reforming Europe might credibly ask why anyone should do their rational duty, rather than remain on the time-honored path of narrow self-interest? The only sound answer is: because there is no truly rational alternative. Or, rather, the alternatives are all cant.



## YANIS VAROUFAKIS

Writing for PS since 2015

37 Commentaries

Yanis Varoufakis, a former finance minister of Greece, is Professor of Economics at the University of Athens.

<http://prosyn.org/OU2DyZE>;

---

© Project Syndicate - 2018