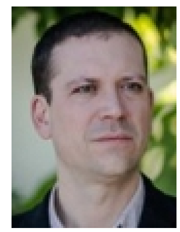
The Bundesbank's disingenuous claim that Southern Europeans are richer than Germans has stoked anti-bailout sentiment.

blogs.lse.ac.uk/europpblog/2013/04/13/bundesbank-rich-south-europeans/

13/04/2013

Recent weeks have seen the German Central Bank and the European Central Bank release studies that have suggested that Germans have less wealth than Southern Europeans. **Stefan Bauchowitz** *and* **José Javier Olivas** *argue that differences between the data used and the composition of German and Southern European households make this comparison largely meaningless. They write that the studies have been framed in such a way to move public discourse to be against bail outs for countries in Southern Europe.*



At the height of the Cyprus bailout crisis, the German Central Bank, the *Bundesbank*, has introduced into the public discourse the notion that Southern Europeans are richer than Germans. This claim is based on a study on household wealth and a rather questionable comparison across countries. While the *Bundesbank* has noted the limitations of this comparison in the fine print, it is hard to believe that this is not a *Bundesbank* attempt to sway public opinion against further bailouts. Although the initial response in the press was rather restrained, the debate was reignited after the European Central Bank (ECB) released its study on household finances and consumption last Tuesday.

The *Bundesbank's* and the German media's initial framing of study's results provided fertile grounds for an increasingly populist tone in the debate. The misrepresentation of data provides a good example of sound studies being misappropriated for advancing the political agenda of different actors in the current crisis.

From fact to fiction

On 21 March, the *Bundesbank* presented the findings of its panel study on Household Finances ("Private Haushalte und ihre Finanzen"). The *Bundesbank*'s study, part of an Euro-Area effort to collect data on Household Finances and Consumption highlights the gross inequality in the distribution of wealth in Germany. In the presentation and the accompanying press release, the Bundesbank claims that the median income of households in Germany is lower than that of households in Spain or Italy. However, both the comparison of wealth of German households with that of other European countries and the timing of the presentation, make the *Bundesbank* seem rather disingenuous.

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As the original presentation suggests and most media have acknowledged, the study is not suitable to establish meaningful cross-national comparisons. The data collection took place at a different time in Spain and in Germany, which masks the fact that financial and real assets in Spain have lost considerable value during the crisis. The structure of these countries is vastly different in terms of household size, home ownership, pension claims which leads to very different outcomes in terms of the financial position. For example, the Spanish Survey of Household Finances, which the *Bundesbank* refers to, is based on data from 2008 which does not reflect the effects of the current crisis such as growing unemployment, lower levels of disposable income, and most importantly, depreciation of real estate. According to the Spanish Survey, 89.2% of the total wealth of Spanish households is linked to real-estate. Standard and Poor's estimate that since March 2008, Spanish house prices have declined by 26% and are expected to drop a further 20%, so the current wealth of Spanish households is considerably lower than that captured in the report used for the comparison.

More importantly, the comparison of households' wealth is highly misleading in the context of a discourse on solidarity and redistribution. For instance, the larger public sector and better pensions and services that German citizens enjoy are not taken into consideration in wealth studies. The structure of households varies across countries. According to Eurostat, German households have 2.0 members on average while French have 2.2, Italians 2.4 and Spanish 2.7. Moreover, as the *Bundesbank* shows, home ownership in Germany (44.2%) is much lower than in France (57.9%), Italy (68.4%) and Spain (82.7%). Because of these structural and cultural differences a comparison of household wealth amounts to a comparison of apples and oranges.

Notwithstanding the inherent incomparability of the data – and in stark contrast to the study's methodological rigour – the *Bundesbank* chose to frame its findings in such a way that casual observers would only reach one conclusion: that German tax payers, being poorer than Southern Europeans, should not have to bail out the crisis countries. As this article is mostly concerned with the public discourse and not with the data itself, we refer to the *FT's Alphaville* blog, which provides an interesting analysis of the comparability of the data, based on the ECB's study on household finance.

Reactions in the press

Initially, most German media did not fully embrace the *Bundesbank*'s discourse. The press has largely qualified the results of the study and questioned the comparability of the data. Even *Bild*, a tabloid usually quick to exploit every opportunity for populist exaggeration, questioned the result. *Spiegel Online* went so far to criticise

the *Bundesbank* for its rather inept attempt at generating outrage.
Most media presented some background on why German households appear to be poorer, pointing to the fact that Germans tend to prefer to rent, rather than own residential property. Unfortunately, this has not kept them from running with catchy, if grossly misrepresenting headlines that resulted in the furtherance of anti-bailout message. The headlines used by newspapers such as the *Frankfurter Rundschau*, *Die Welt* and *faz.net* misleadingly claimed “Spaniards richer than Germans” or similar versions of this message.

The notion of greater Spanish, French and Italian wealth has thus found its way into the debate as if it were a self-evident truth. *Der Spiegel* (25 March, page 32) commented on the deposit tax in Cyprus: “No one in the crisis countries has so far been expected to take a cut in wealth [to solve the crisis]. But why not? According to a recent study by the Bundesbank, Spaniards are richer than Germans.” And for *Passauer Neue Presse* , the study has “done away with the fairy tale that Germany is the rich uncle” who should be liable for his poor relatives.
Other commentators and politicians, too, have been quick to call, however naively, for a responsibility of domestic savers in bail-outs. Unsurprisingly, the readers’ comments are considerably more vitriolic, and it appears as if the *Bundesbank* has managed to reach the intended audience.

The foreign press also echoed this issue. Most articles emphasise the limited comparability of the study reproducing the caveats already suggested by the *Bundesbank* and German press. In Spain, *El Mundo* points out that the provision of public services and social insurance is not part of the *Bundesbank*’s assessment of wealth, which makes any meaningful comparison impossible. *El Economista* accuses the *Bundesbank*’s president, Jens Weidman, of misusing the study to consolidate the Bundesbank’s position that Southern countries should bear the costs of the crisis. In France, the financial newspaper *Les Echos* criticises the comparison and says that this is a move to put pressure on the ECB and reminds its readers that the study does not count the substantial pension claims of Germans towards household wealth.

From fiction to ‘pulp fiction’

With the ECB’s release of Euro-wide data earlier this week, the issue has suddenly turned into a very heated debate in Germany. Even though the ECB has avoided the *Bundesbank’s* blunder, some German media outlets have seized the opportunity to resume the blame game combining a much more aggressive tone with a dash of self-pity.

For example, an *FAZ* headline read “Germans are the poorest in the Eurozone”. Both *FAZ* and *Die Welt* accuse the ECB of holding back the data for fear of controversy. In a rather angry, if fatuous commentary, *FAZ* – not normally known as a platform for conspiracy theorists – argues that the study, finally lays bare what the media and politicians in Germany had carefully tried to conceal: namely that Germans are poor and that rather than benefiting from the Euro, the introduction of the single currency caused German incomes to shrink relative to those in the Eurozone, while profligacy in soft-currency countries went unchecked. Others remain more nuanced, such as *Die Zeit* that offers a rebuttal of the notion of Germany as Europe’s poor house.

Bad practice

The *Bundesbank* seems to have subtly set into motion a grievance discourse that now some very eager commentators and newspaper are disseminating in the public opinion. The explicit comparisons across countries made initially by the *Bundesbank* in their press presentation were either a schoolboy error or just a borderline unethical strategy to foster an “anti-bailout” discourse in Germany. The selective contextualisation of evidence to advance political goals is not an example of good academic practice. The ECB was cautious in not prescribing the same comparison but it was too late to prevent some media from focusing on what the *Bundesbank* had already insinuated.

Understanding the current crisis is no doubt complex, given the differences in European economies, divergent national interests and the increasingly divisive public discourses on the crisis. Trusted institutions such as the *Bundesbank* and the press have a responsibility to provide accurate, fair and nuanced information that can help better understand the crisis and identify potential solutions. The *Bundesbank* did no one a favour by peddling its reductivist and deliberate misinterpretation of the available facts. Similarly, German media outlets have succumbed to the temptation of populism. The initial restraint the press had shown in the face of the release of the *Bundesbank*'s study appears to have largely evaporated. *FAZ*, *Die Welt* and the other publications are also responsible of fuelling animosities that are already present in the European public sphere.

The data that are at the heart of the debate are not "wrong" but they have been used to frame an issue in a grossly misrepresenting manner. As Gregg Easterbrook put: "Torture numbers and they'll confess to anything".

This article is an updated version of one that first appeared at the LSE's Eurocrisis in the Press blog.

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Note: This article gives the views of the author, and not the position of EUROPP – European Politics and Policy, nor of the London School of Economics.

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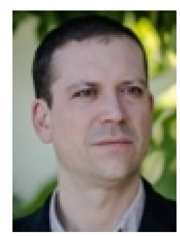

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