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How Germany Became Putin's Enabler

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Vladimir Putin's war of aggression runs on the money Russia gets by selling fossil fuels to Europe. And while Ukraine has, incredibly, repelled Russia's attempt to seize Kyiv, Putin won't be definitively stopped until Europe ends its energy dependence.

Which means that Germany — whose political and business leaders insist that they can't do without Russian natural gas, even though many of its own economists disagree — has in effect become Putin's prime enabler. This is shameful; it is also incredibly hypocritical given recent German history.

The background: Germany has been warned for decades about the risks of becoming dependent on Russian gas. But its leaders, focused on the short-run benefits of cheap energy, ignored those warnings. On the eve of the Ukraine war, 55 percent of German gas came from Russia.

There's no question that quickly cutting off, or even greatly reducing, this gas flow would be painful. But multiple economic analyses — from the Brussels-based Bruegel Institute, the International Energy Agency and ECONtribute, a think tank sponsored by the Universities of Bonn and Cologne — have found that the effects of drastically reducing gas imports from Russia would be far from catastrophic to Germany.

As one member of the German Council of Economic Experts, which fills a role somewhat similar to that of the U.S. Council of Economic Advisers, put it, an embargo on Russian gas would be difficult but “feasible.”

The ECONtribute analysis offers a range of estimates, but their worst-case number is that an embargo on Russian gas would temporarily reduce Germany's real G.D.P. by 2.1 percent. I'll put that number in context shortly.

Now, German industrialists refuse to accept economists' estimates, insisting that a gas embargo would indeed be catastrophic. But they would say that, wouldn't they? Industrial leaders everywhere always claim that any proposed restriction on their activities would be an economic disaster.

For example, back in 1990 U.S. industry groups issued dire warnings against policies to reduce acid rain, insisting that they would cost hundreds of billions and even lead to “the potential destruction of the Midwest economy.” None of that happened; in fact, the new rules produced large public health benefits at modest financial cost.

Unfortunately, Germany's political leaders, including Chancellor Olaf Scholz, have taken the side of the scaremongers. The revelations of Russian atrocities in Ukraine have led to grudging acknowledgments that something must be done, but still not much sense of urgency.

What strikes me — a parallel that for some reason I haven't seen many people drawing — is the contrast between Germany's current reluctance to make moderate sacrifices, even in the face of horrific war crimes, and the immense sacrifices Germany demanded of other countries during the European debt crisis a decade ago.

As some readers may remember, early last decade much of southern Europe faced a crisis as lending dried up, sending interest rates on government debt soaring. German officials were quick to blame these countries for their own plight, insisting, with much moralizing, that they were in trouble because they had been fiscally irresponsible and now needed to pay the price.

As it turns out, this diagnosis was mostly wrong. Much of the surge in southern European interest rates reflected a market panic rather than fundamentals; borrowing costs plunged, even for Greece, after the president of the European Central Bank said three words — “whatever it takes” — suggesting that the bank would, if necessary, step in to buy the debt of troubled economies.

Yet Germany took the lead in demanding that debtor nations impose extreme austerity measures, especially spending cuts, no matter how large the economic costs. And those costs were immense: Between 2009 and 2013 the Greek economy shrank by 21 percent while the unemployment rate rose to 27 percent.

But while Germany was willing to impose economic and social catastrophe on countries it claimed had been irresponsible in their borrowing, it has been unwilling to impose far smaller costs on itself despite the undeniable irresponsibility of its past energy policies.

I'm not sure how to quantify this, but my sense is that Germany received far more and clearer warning about its feckless reliance on Russian gas than Greece ever did about its pre-crisis borrowing. Yet it seems as if Germany's famous eagerness to treat economic policy as a morality play applies only to other countries.

To be fair, Germany has moved on from its initial unwillingness to help Ukraine at all; Ukraine's ambassador to Germany claims, although the Germans deny it, that he was told there was no point in sending weapons because his government would collapse in hours. And maybe, maybe, the realization that refusing to shut off the flow of Russian gas makes Germany de facto complicit in mass murder will finally be enough to induce real action.

But until or unless this happens, Germany will continue, shamefully, to be the weakest link in the democratic world's response to Russian

aggression.

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