

Max-Planck-Institut für Steuerrecht und öffentliche Finanzen | Berlin, 12. Februar 2026  
Seminar: „Öffentliche Finanzen und Politische Ökonomie XII“

# Back to the Fruits: Revitalizing Market Processes

Prof. Dr. Stefan Kooths  
*Forschungsgruppe Konjunktur und Wachstum*

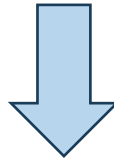
# 1989: Not the end of history (Francis Fukuyama)



“[T]he Soviet economy is proof that, contrary to what many skeptics had earlier believed, a socialist command economy can function and even thrive.”

# 1990s: The meaning of transformation

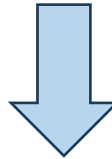
Centrally planned economies



Market economies

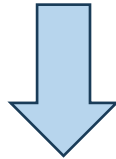
# Today: New meaning of transformation

Market economies



Shaping economic structures  
via governmental interference

**Global financial crisis**



Misinterpreted  
as a market failure

**Rise of China**

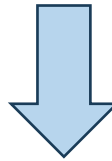


Superior  
economic order?

# China: No role model

Massive macroeconomic disequilibria

Preventing “bad” equilibria



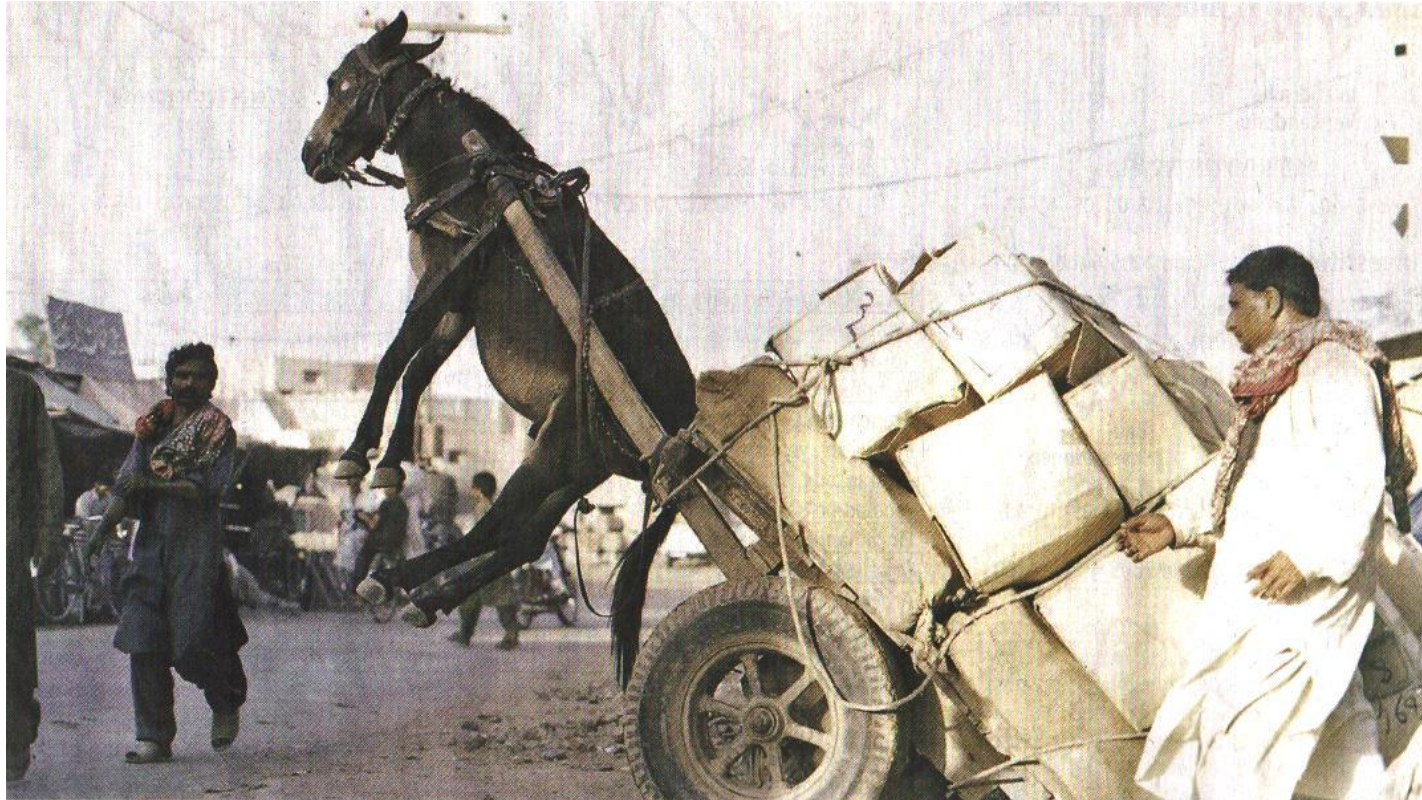
Weakening fiscal discipline via capital markets,  
fostering fiscal dominance of economic policy

Central banks:  
Masters of the universe?

# Green monetary policy

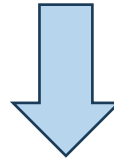
Wrong institution,  
wrong instrument.

# Monetary policy: Overloaded



Source: FAZ, 26 October 2011, p. 11.

Driving force for deregulation



Centralized interventionism  
(idea of subsidiarity degenerates)

# COVID-19 pandemic

Never miss a good crisis.

With the country-specific recommendations issued by the EU Commission, we can set impulses — industry by industry.



**Thierry Breton**

*European Commissioner for Internal Market*

Source: F.A.Z., 22. Mai 2020 (Interview: „Alte Zwistigkeiten hintanstellen“)

## NextGenerationEU (2/2)

***Can you give examples of programs that Italy could propose in Brussels under NextGenerationEU?***

If you ask for examples of programs, many come to mind. They range from the reform of the civil court system to the promotion of investments in green projects.



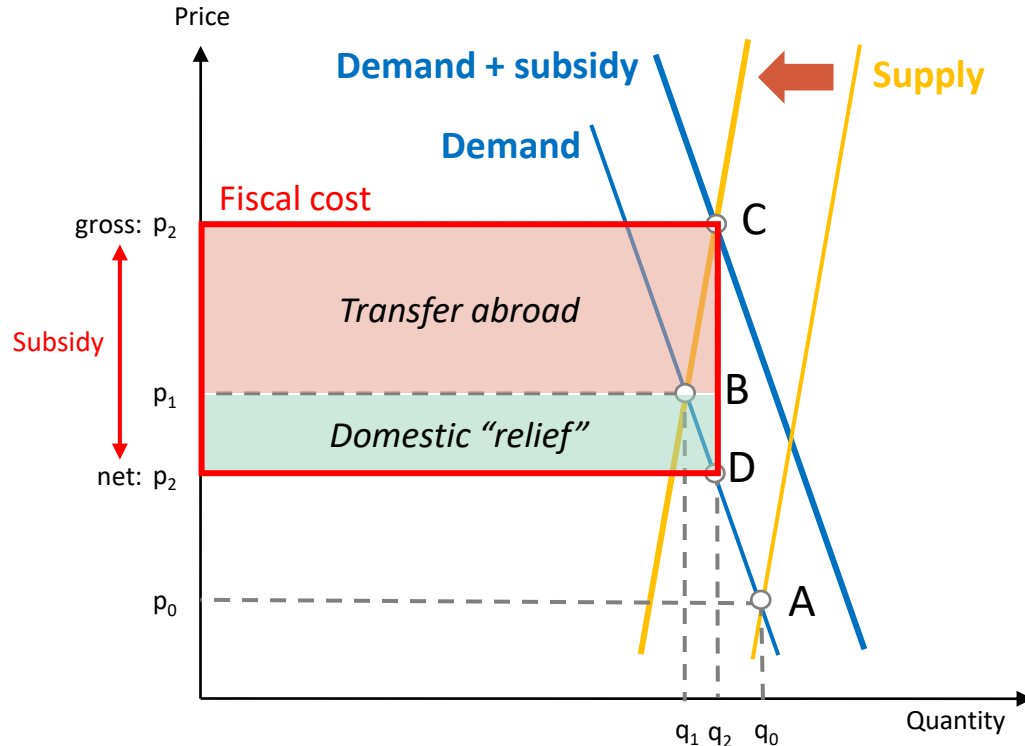
**Paolo Gentiloni**

*European Commissioner for Economy*

Source: F.A.Z., 8. Juni 2020, p. 17 (Interview: „Konjunkturpaket wird ganz Europa helfen“)

Prices are not the problem ...  
... but messengers of a problem (and part of the solution)

# Energy crisis: EU-wide subsidies for natural gas



- Sharper scarcity makes price signals even more important
  - Ban on subsidies as pillar of the common market (EU COM missed its role)
- ⇒ **Personal transfers instead of subsidies for goods**

# Green Deal Industrial Plan for the Net-Zero Age



Brussels, 1.2.2023  
COM(2023) 62 final

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN  
ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE  
REGIONS**

**A Green Deal Industrial Plan for the Net-Zero Age**

# Decarbonization policy

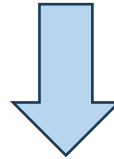
- Problem of international policy coordination “only”
- Interventionist intensity
  - » Carbon pricing  $\Rightarrow$  single intervention
  - » Industrial policy  $\Rightarrow$  (n-1) interventions



Source: [Frankfurter Allgemeine Zeitung](#), 16.1.2025, p. 16.

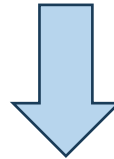
# Monetary interventionism: Policy spill-overs

Secular stagnation,  
zero interest rate environment



End of scarcity,  
belief in green transformation at no cost

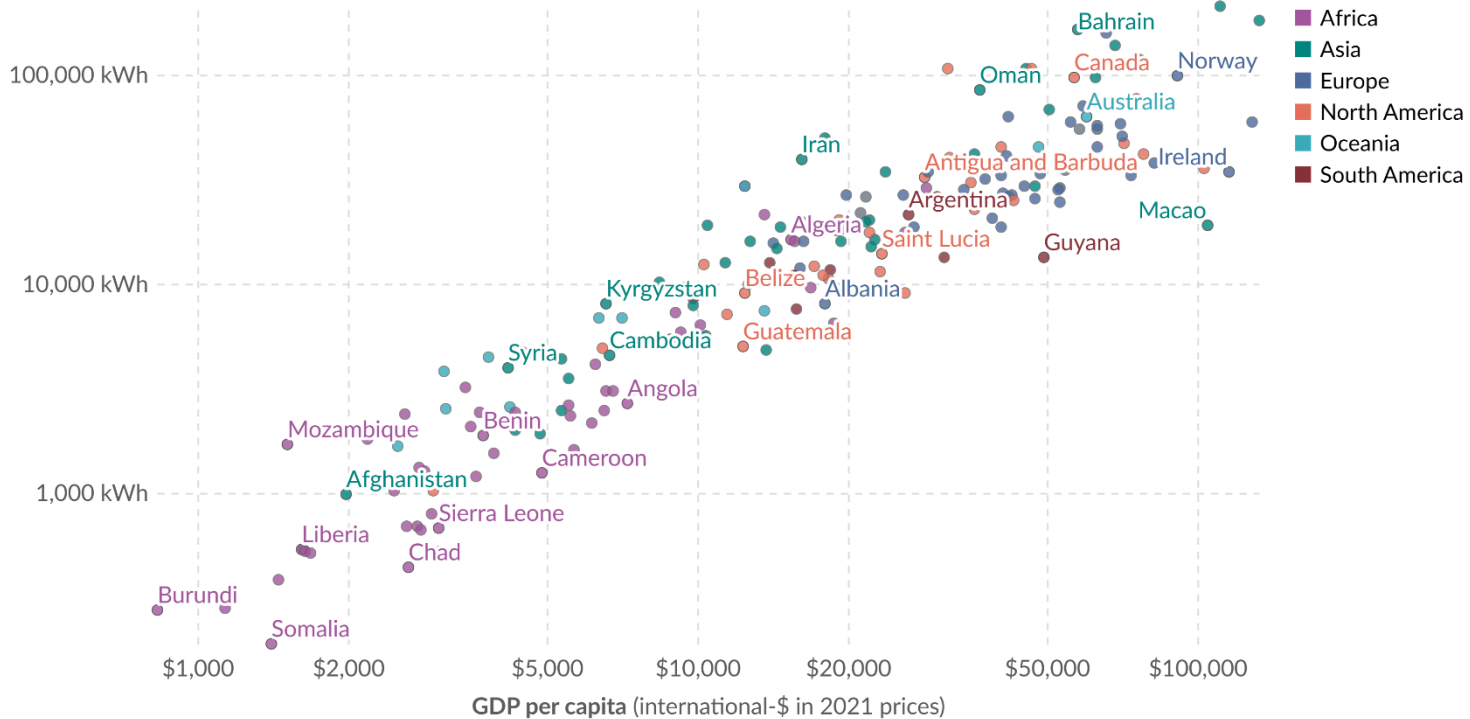
Limits for use of producible production factor



No reasonable policy goal

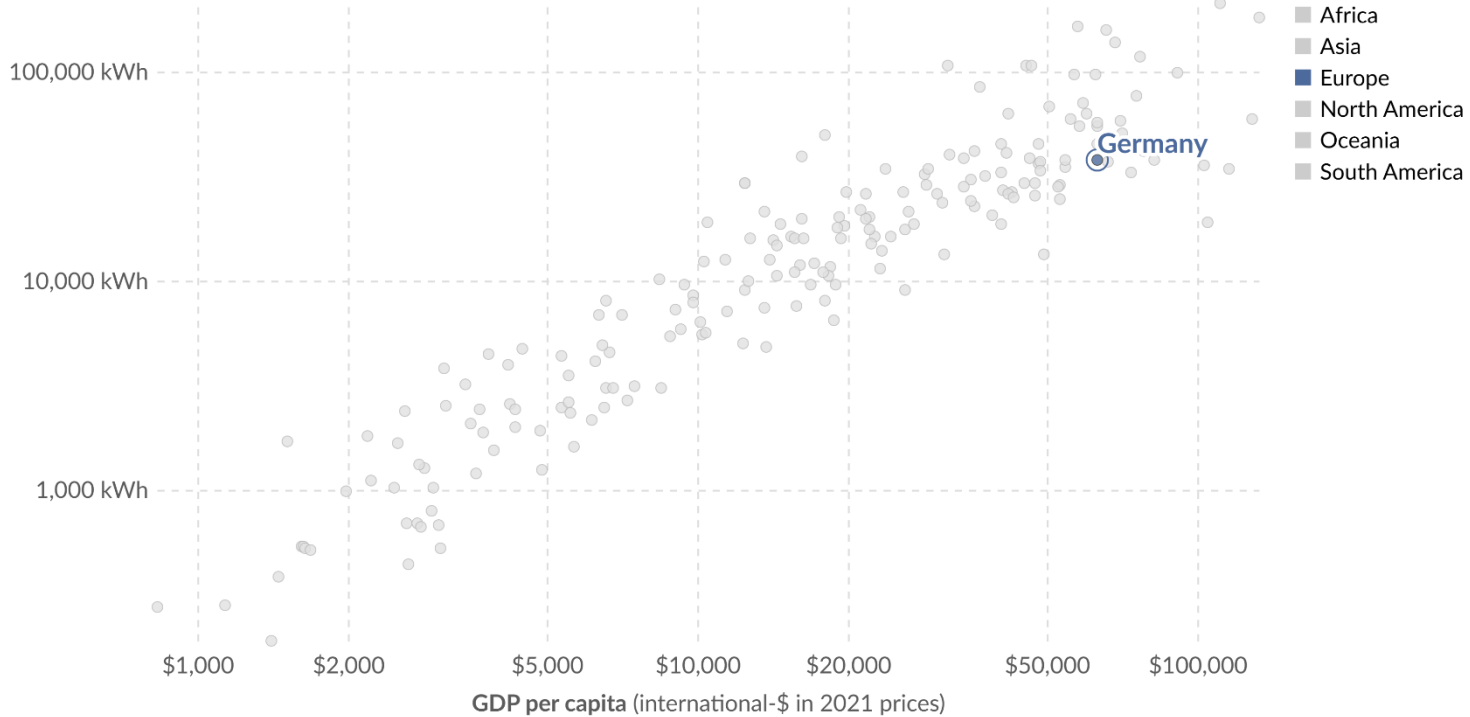
# Energy consumption and prosperity (1/2)

Per capita energy consumption (kilowatt-hours)



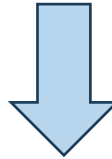
# Energy consumption and prosperity (2/2)

Per capita energy consumption (kilowatt-hours)



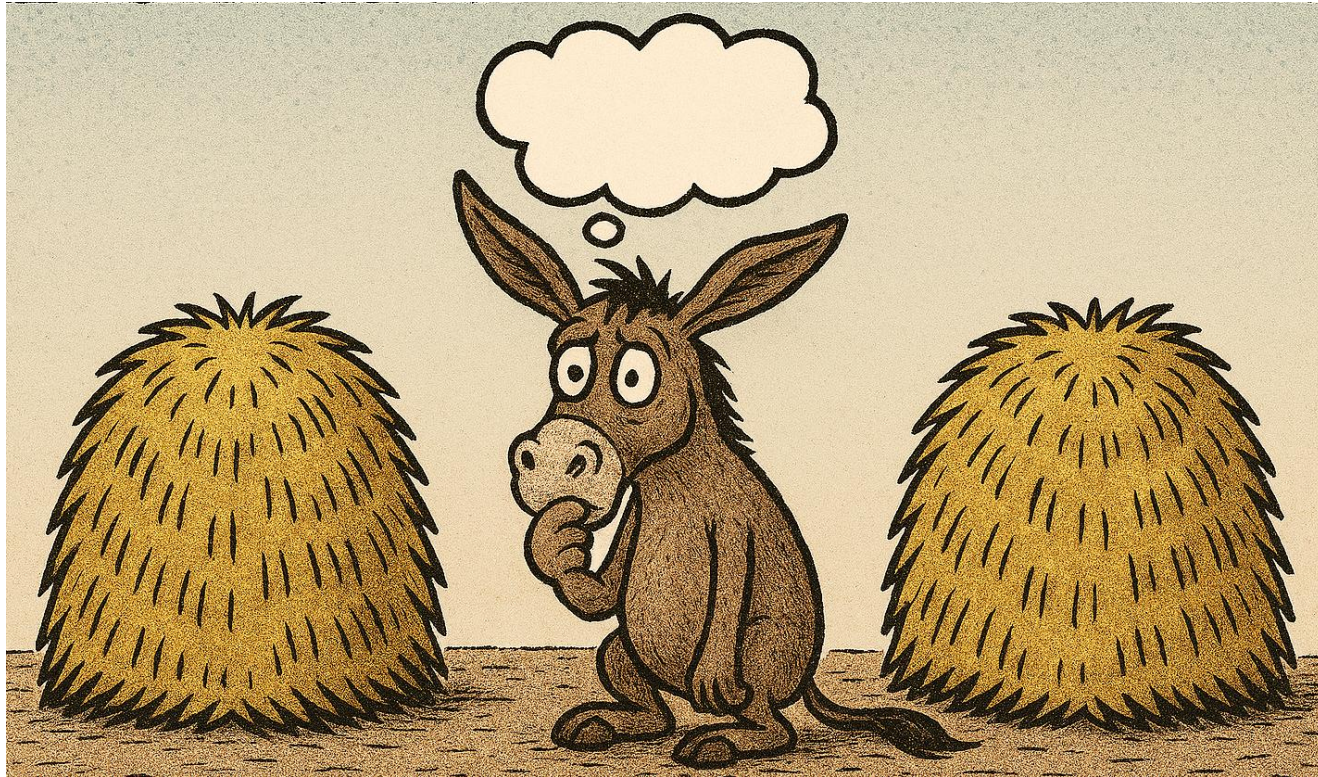
# Green deal and Chinese industrial policy

Large subsidy programs for  
solar panels, wind turbines, EVs

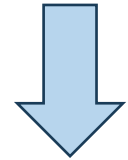


Strong support for policy makers in China

# Technology and innovation policies: Interventionists' view on market participants

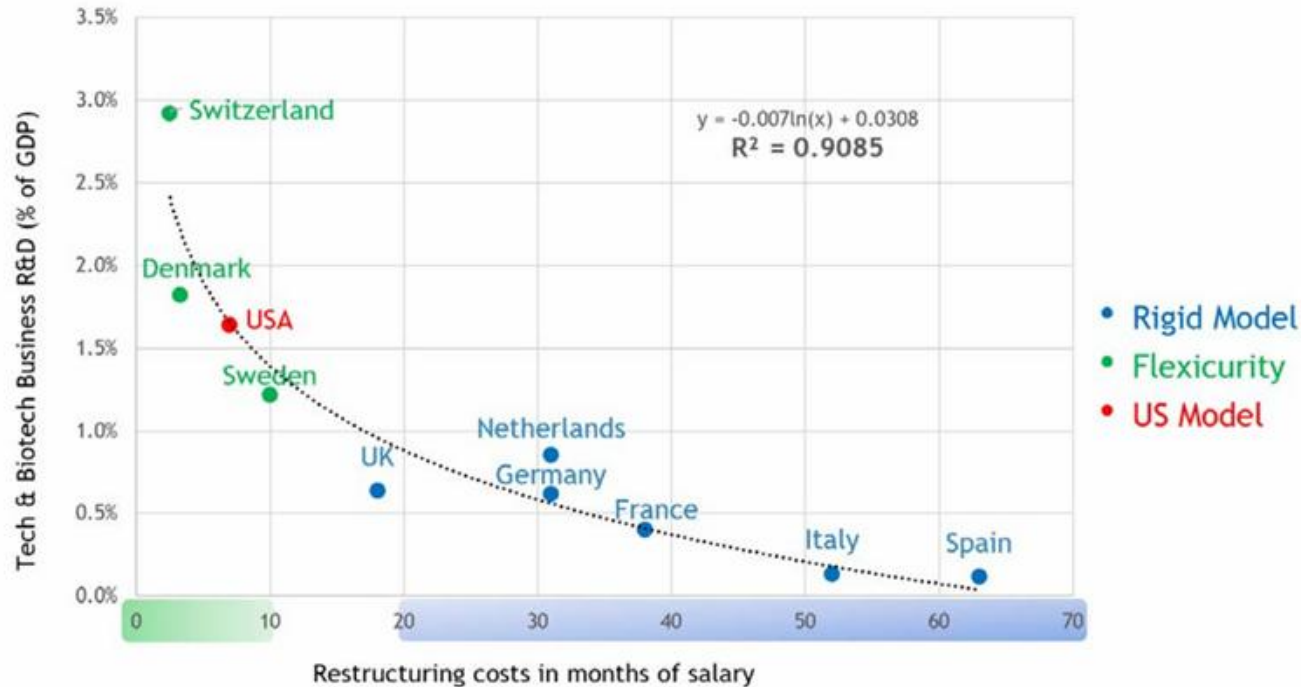


Buridan's  
donkey



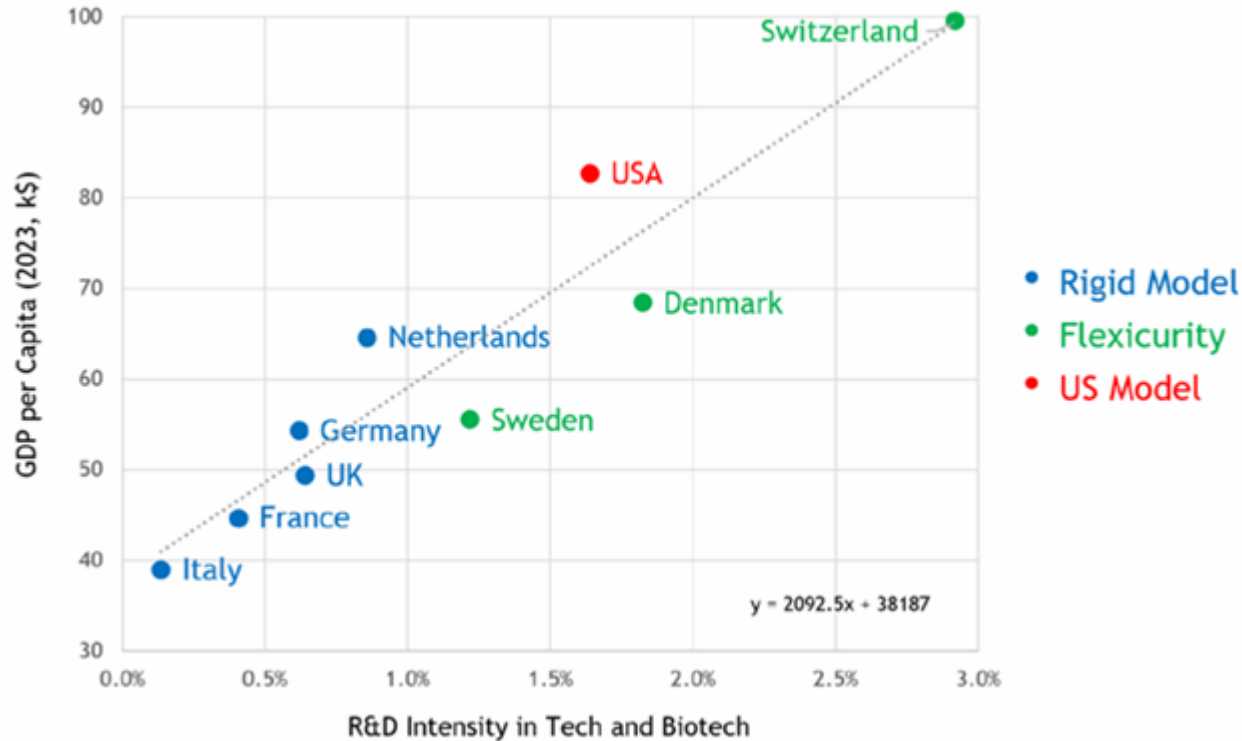
Paralysis of  
indecision

# Labor market regulations (rigidity vs. flexicurity): Restructuring costs and R&D in high-tech industries



Source: Coatanlem and Coste (2025), p. 24.

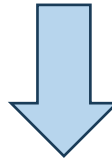
# Labor market regulations (rigidity vs. flexicurity): R&D in high-tech industries and GDP per capita



Source: Coatanlem and Coste (2025), p. 72.

# Neo-mercantilism: Interventionist spiral

Tariff protection for single products



Local content regulations in downstream industries

# EU Taxonomy: Mission impossible



- Vol. 19 (2022), Issue 2, p. 213-219
- Comment by Ali Mehmandoust Kotlar  
Vol. 22 (2025), Issue 1, p. 173-180
- Reply to Comment  
Vol. 22 (2025), Issue 1, p. 213-219

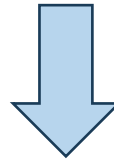
# Critique of the EU Taxonomy

- **Conflict with Market Principles:** Sharp contrast to the principles of a market economy, creating distortions rather than correcting market failures.
- **Bureaucratic Burden:** Creates a "massive extra bureaucratic burden" and absorbs high-skilled labor that could be better used elsewhere in the economy.
- **Inefficiency:** More efficient policy instruments (such as emissions trading) already exist that work with market forces, rather than against them.
- **Lack of Knowledge:** The regulation requires a level of regulatory knowledge that cannot be expected to exist, which hampers entrepreneurial initiatives.
- **Potential for Misuse:** The approach opens the door for all kinds of particularistic maneuvers and hidden political agendas.

# Economic activities/goods: Ends matter



Corporate Sustainability Due Diligence Directive

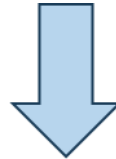


Inconsistent with market principles,  
Massive bureaucratic burden,  
Counterproductive

# Failed omnibus deregulation: CSDDD

Employees: 1000  $\Rightarrow$  5000

Revenues: 450 m Euro  $\Rightarrow$  1.5 bn Euro



Still conceptually wrong,  
Spill-over effects remain

Distrust of market processes



Lack of consistent reforms



Economics  
=  
Coping with socioeconomic complexity  
(including the role of entrepreneurs)

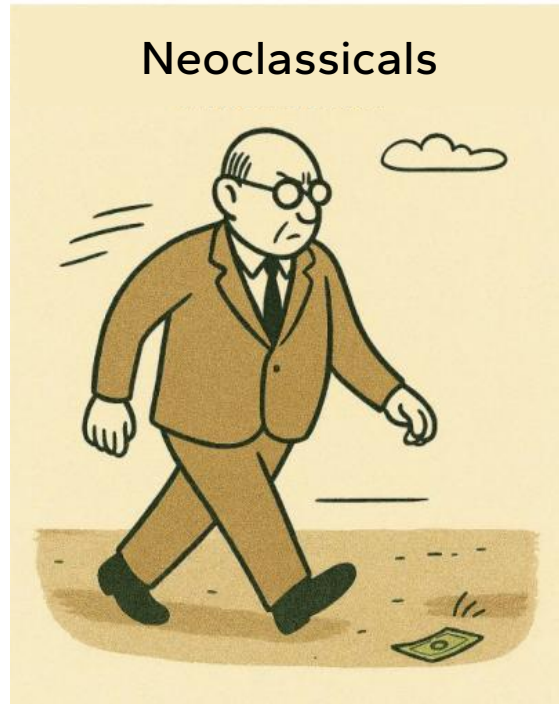


Systemic understanding of the  
(market) economy

# Schools of economic thought: An experiment



# Schools of economic thought (1/3)



## Schools of economic thought (2/3)

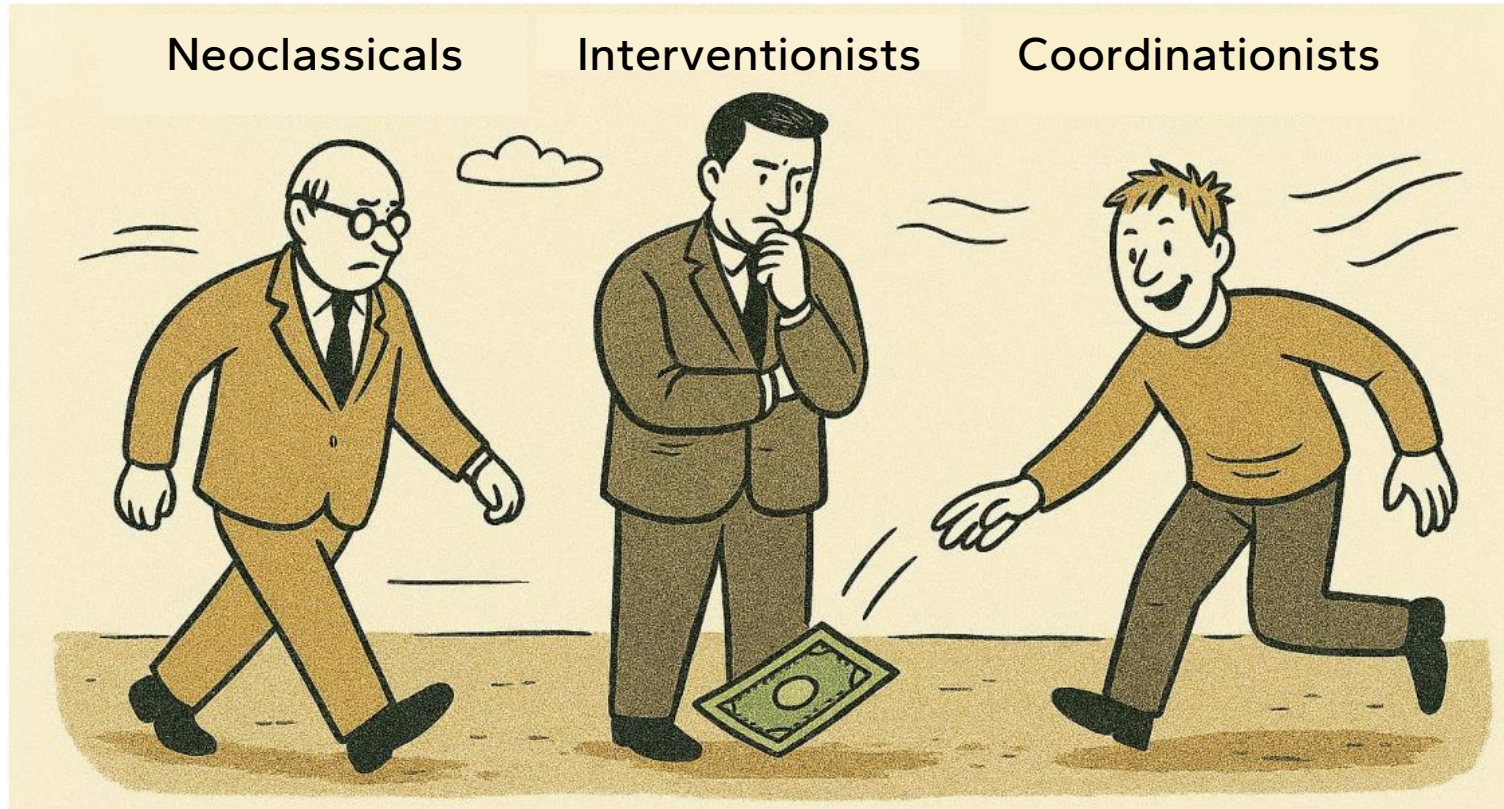


# Schools of economic thought (3/3)

## Coordinationists



# Choose your fighter



# Discussion

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