leveraged loans is about a third of that in the US market, at between €120bn and €320bn depending on the source. Moreover, since the crisis the share of leveraged loans given by non-banks has increased and was about 50% of the whole in 2017. This makes it harder for regulators to track the leveraged-loan sector, and also to take action as these lenders are typically unregulated entities, so-called shadow banks.

French and German debt: once so close, now far apart

François Ecalle compared the public debt developments for France and Germany after signing the Maastricht Treaty, a useful reminder of the context in which we discuss fiscal policy choices in those two countries today. In 1995 both countries started with very similar levels of public debt. Despite the costs of reunification Germany had a debt-to-GDP ratio of 54.8%, very close to France with 55.8%. These two debt ratios stayed close to each other until 2007, and then the two countries started to diverge with France debt continuing to rise while Germany's debt ratio eventually started falling. Only for a short moment German debt went up to join the French again, when the German government had to pump money in support of the banking system hit by the financial crisis. Once the crisis was over and the banks paid back the borrowed money, German debt-to-GDP started to fall quickly. Today, France is approaching the 100% mark, while Germany will soon be below the 60% Maastricht limit. To understand what happened Ecalle looked at the development of the other fiscal parameters.

Between 1995 and 2002, France and Germany had nearly identical developments not only of their public debt levels but also their public deficit and structural deficit. Both countries ended up in the excessive deficit procedure in 2003, and famously convinced the Ecofin not to impose sanctions on them. Between 2003 and 2007 Germany reduced its structural deficit significantly thanks to Gerhard Schroeder's Agenda 2010, and this despite a mini-recession. Over the same period France increased its structural deficit significantly, though.

Much of it was due to public spending, which started to diverge so that the gap between the two countries' spending ratios increased from 5pp to 10pp. Since 2010, France made significant efforts to bring down the structural deficit, but it is still it is 4pp away from Germany's.

The narrative leaves out the politics of that time, but it is a useful reminder of how close both countries once were and how far they have come apart.

How far will Warsaw go in its clash with Brussels?

How far will Poland's nationalist government go in its clash with the EU over the sweeping reform of its justice system? We believe the ultimate test will come not through the high-profile Art. 7 proceedings the European Commission launched against Warsaw, but as a result of the cases now pending before the European Court of Justice concerning the highly controversial changes including to the retirement age of supreme court judges. These ECJ proceedings are politically less spectacular. They can lead only to the imposition of hefty fines rather than a suspension of EU membership rights. In practice, though, they are a far bigger threat to the Polish government as Warsaw cannot block eventual sanctions through an alliance with other like-minded capitals.

On Monday, the Commission took the conflict a decisive step forward when it asked the court in Luxembourg to rule whether the Polish government had violated the principle of judicial independence with its law setting a mandatory retirement age for judges on its supreme court. The problem is not just that the retirement age is immediately enforceable, but that the Polish president can grant exceptions to it. Critics see this as a ploy by the ruling Law and Justice Party to free itself from the control of supreme court judges appointed during the previous government. The Polish government is selling this move as part of a wider reform to make the judicial system more efficient, more friendly to defendants, and free of the last remnants of the Soviet era.

Yesterday, Mateusz Morawiecki reiterated this line of argument, telling reporters that the problem was a lack of proper understanding of the reforms. We find it significant, however, that the Polish prime minister evaded questions about how Poland would ultimately react if condemned by the ECJ. Instead, he criticised the Commission for having reduced the possibility of carrying on with a productive dialogue.

Could, and would, the Polish government ignore an ECJ ruling if it came to that? Our answer is: temporarily yes, but not for very long. If a EU member state that is a net beneficiary of EU funding chose to ignore a EU court ruling for a prolonged time, it would create an existential threat to EU cohesion. We confidently predict that Berlin, Paris and other capitals would ultimately retaliate by looking for ways to stop or reduce the flow of financial transfers, precipitating a major crisis in the member state in question.

We note in passing that, in the USA, federal supreme court rulings curtailing the power of states to organise their judicial system at they sees fit have been a main driver of the constitutional evolution and of the respect for human rights, notably concerning racial segregation in southern states. As nationalist politicians in Warsaw have rightly observed, the conflict with Brussels is ultimately about sovereignty as much as it is about democracy and the understanding of the rule of law. The rulings of the ECJ, if the cases proceeds, will