

# **Germany's macroeconomic interests & EU economic policies**

---

**Prof. Dr. Ulrich Brasche  
Economics / European Integration**

**TH Brandenburg**

# Overview

---

- ❑ **Germany in the EU – some features**
- ❑ **Stages of European economic integration**
  - After WW-II
  - Globalisation
  - The EURO
- ❑ **Economic tensions within the EU**
- ❑ **Future of the EU**

## DE today - Some features

---

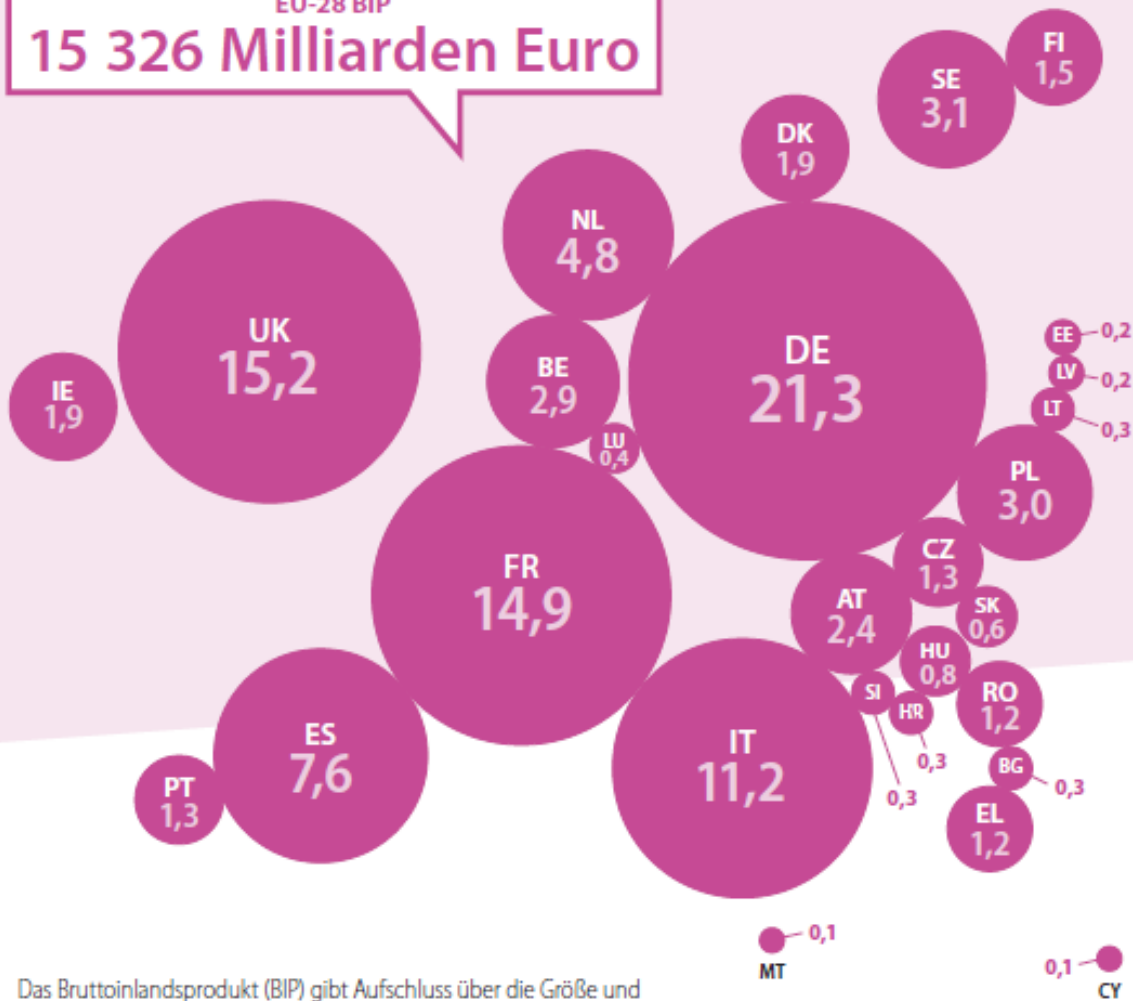
- ❑ **16% of EU population**
- ❑ **21% of EU GDP**
- ❑ **Industrialised**
  - Cars, rail transportation
  - Customised machinery
  - Advanced chemicals
  - Pharmaceuticals
  - Family-owned medium-sized companies (“Hidden champions”)
- ❑ **Exporting more than importing**
- ❑ **Low unemployment**

**Germany today is an economic success story compared to other EU-members**

## BIP

(%-Anteil an der EU-28 insgesamt, 2017)

EU-28 BIP  
15 326 Milliarden Euro

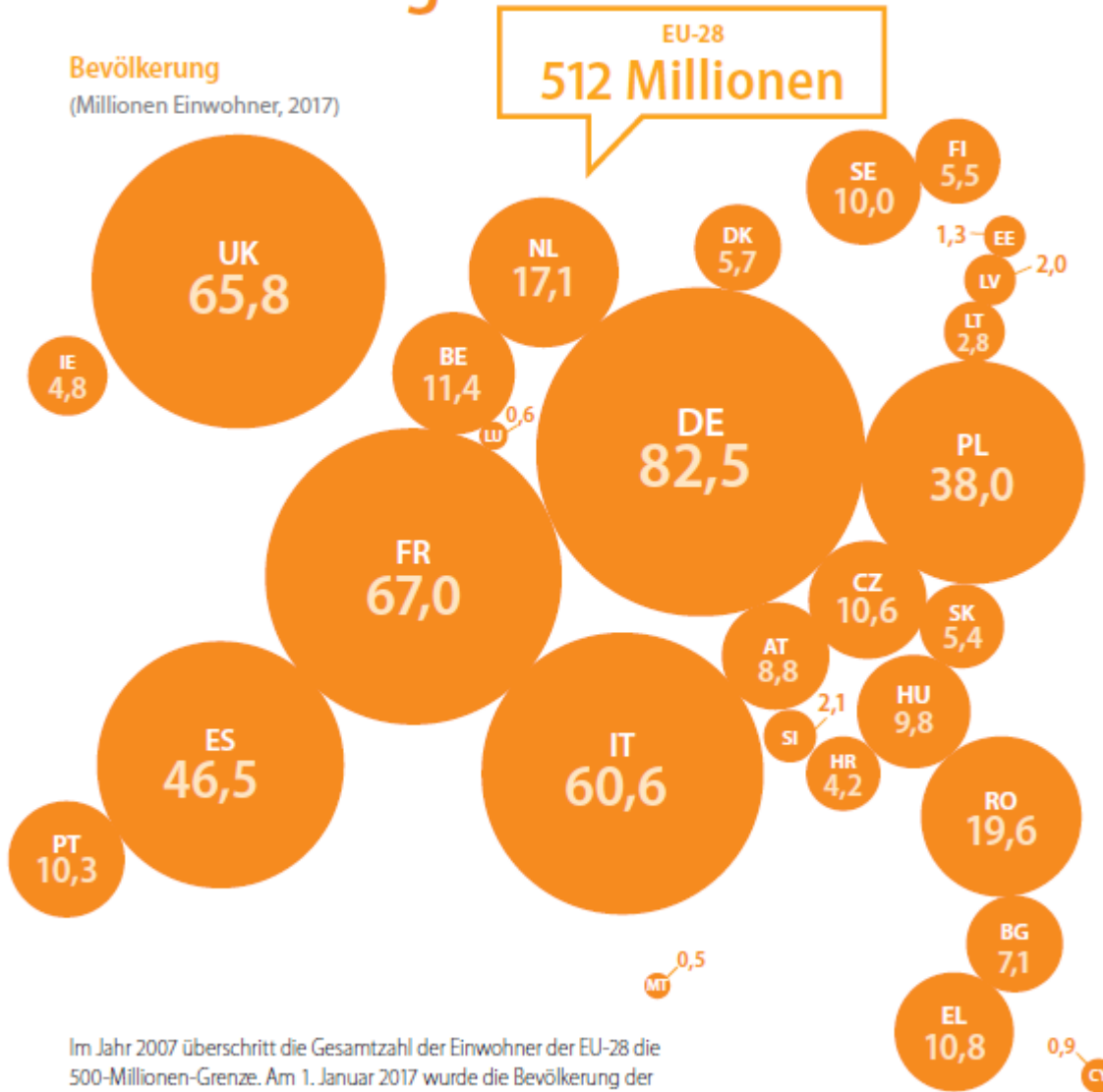


Das Bruttoinlandsprodukt (BIP) gibt Aufschluss über die Größe und Leistungsfähigkeit einer Volkswirtschaft, indem es Informationen zu den in einem bestimmten Zeitraum produzierten Gütern und erbrachten Dienstleistungen bietet. Das BIP der EU-28 wurde

Quelle Eurostat (Online Datencode: [nama\\_10\\_gdp](#))

# Bevölkerung

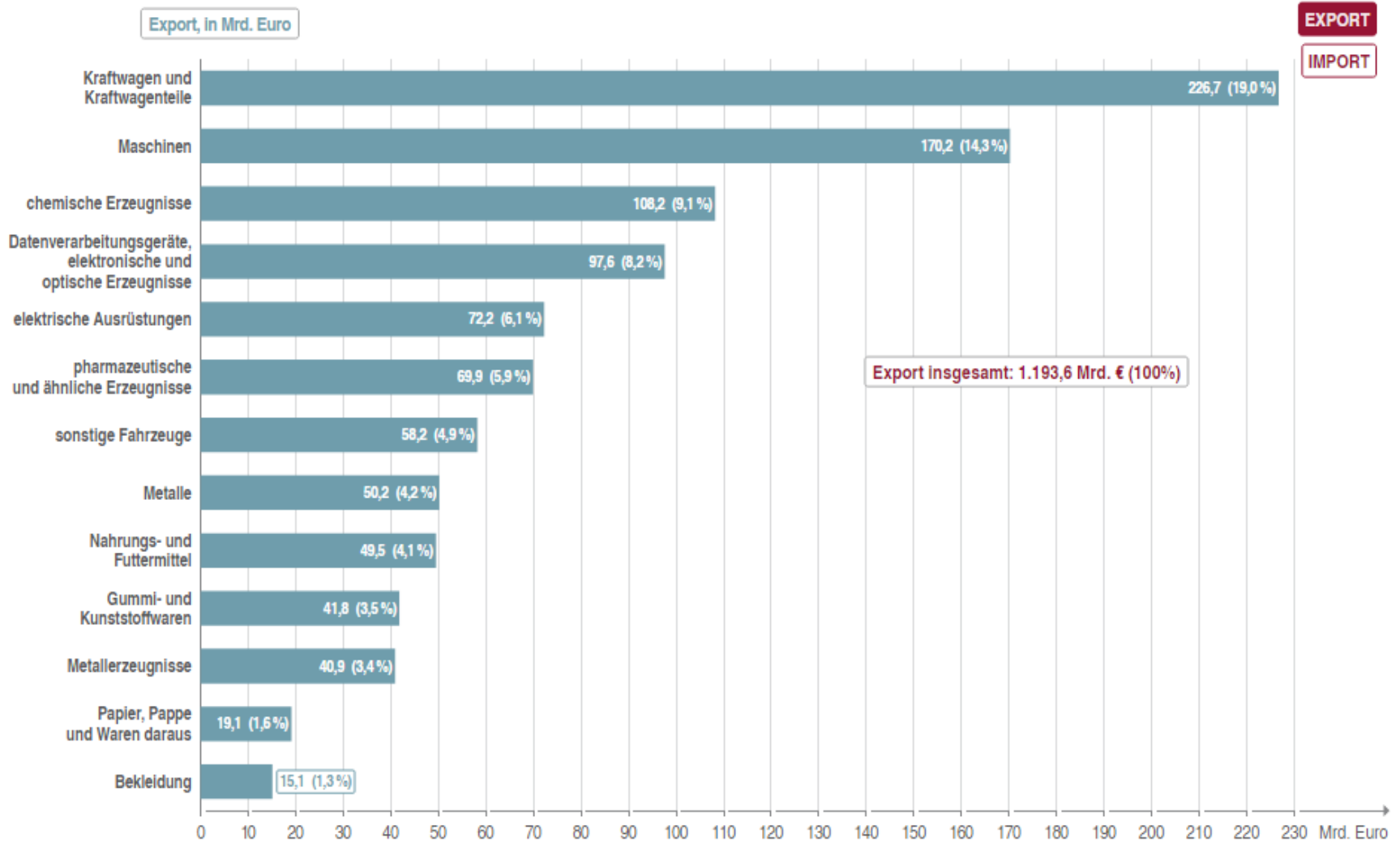
Bevölkerung  
(Millionen Einwohner, 2017)



Im Jahr 2007 überschritt die Gesamtzahl der Einwohner der EU-28 die 500-Millionen-Grenze. Am 1. Januar 2017 wurde die Bevölkerung der EU-28 auf 511,5 Millionen Einwohner geschätzt, das sind 1,2 Millionen mehr als im Jahr zuvor.

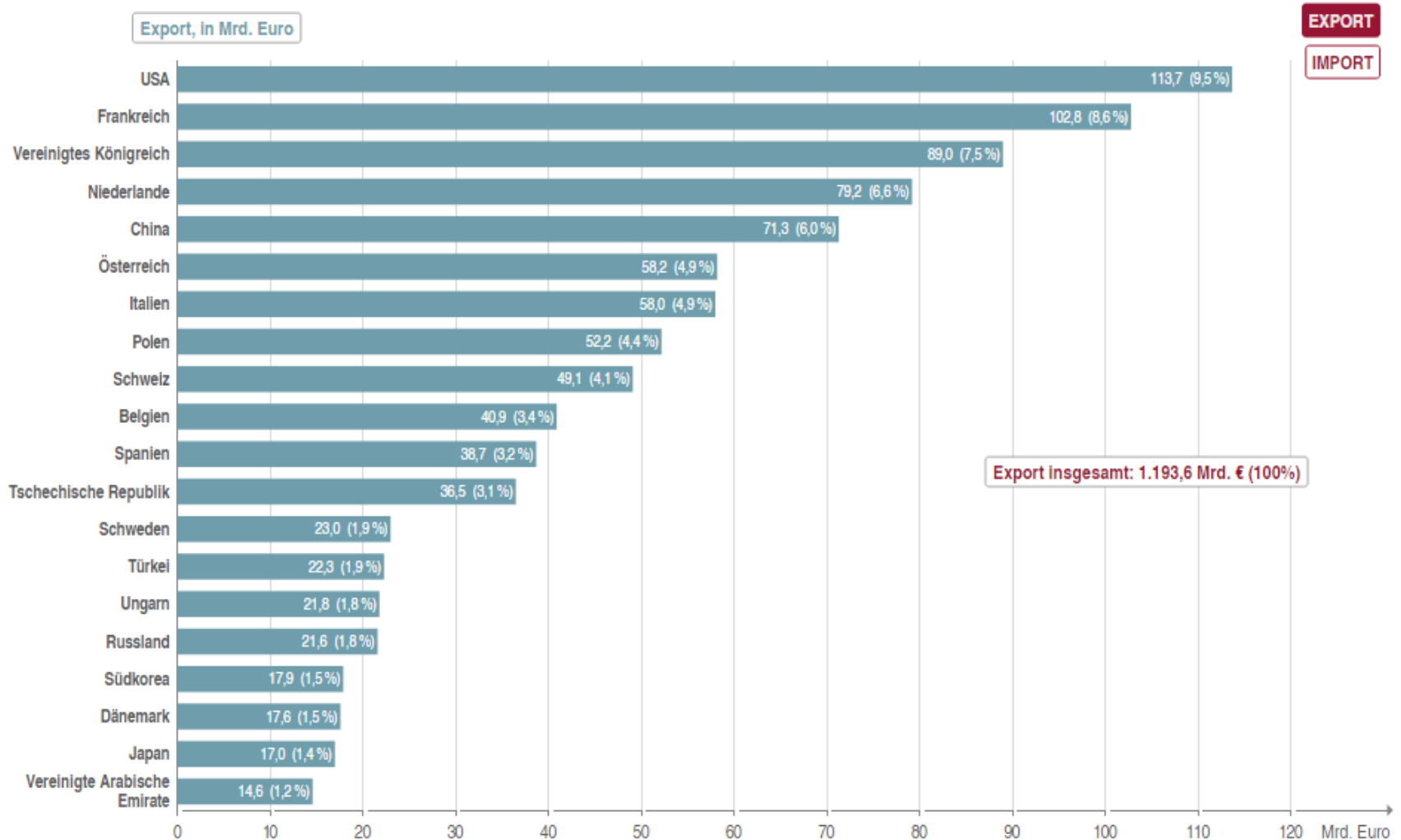
# Deutschland: Export und Import nach Waren

In absoluten Zahlen und Anteile in Prozent, 2015



# Deutschland: Handelspartner

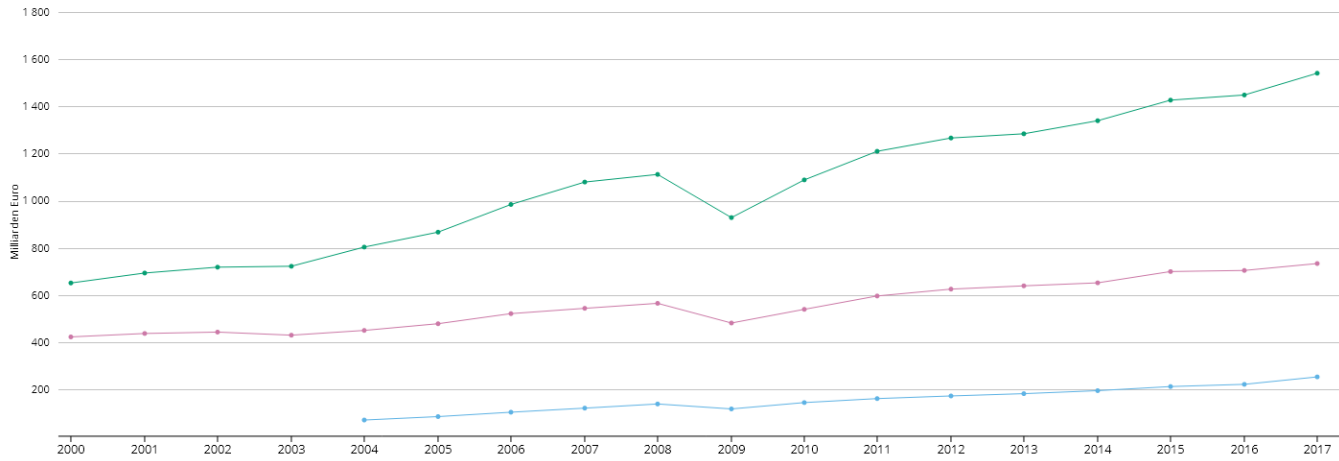
Nach Staaten, Warenexport und Warenimport in absoluten Zahlen, Anteile in Prozent, 2015



### Exporte von Waren und Dienstleistungen

(in Milliarden Euro)

3 Ausgewählte Länder



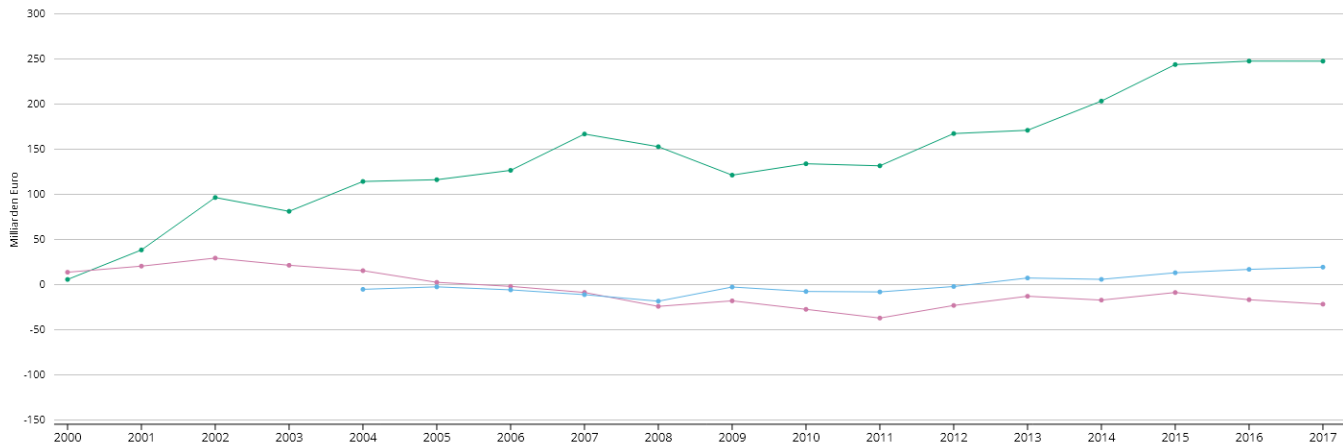
- Deutschland
- Frankreich
- Polen



### Handelsbilanz von Waren und Dienstleistungen

(in Milliarden Euro)

3 Ausgewählte Länder



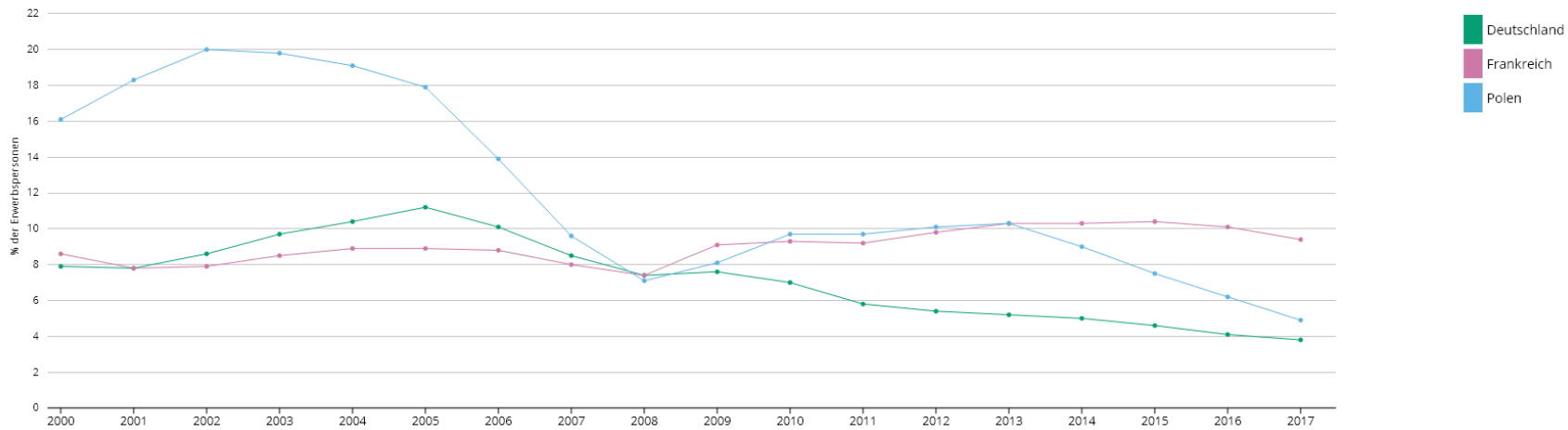
- Deutschland
- Frankreich
- Polen



### Erwerbslosigkeit

(in % der Erwerbspersonen zwischen 15 und 74 Jahren)

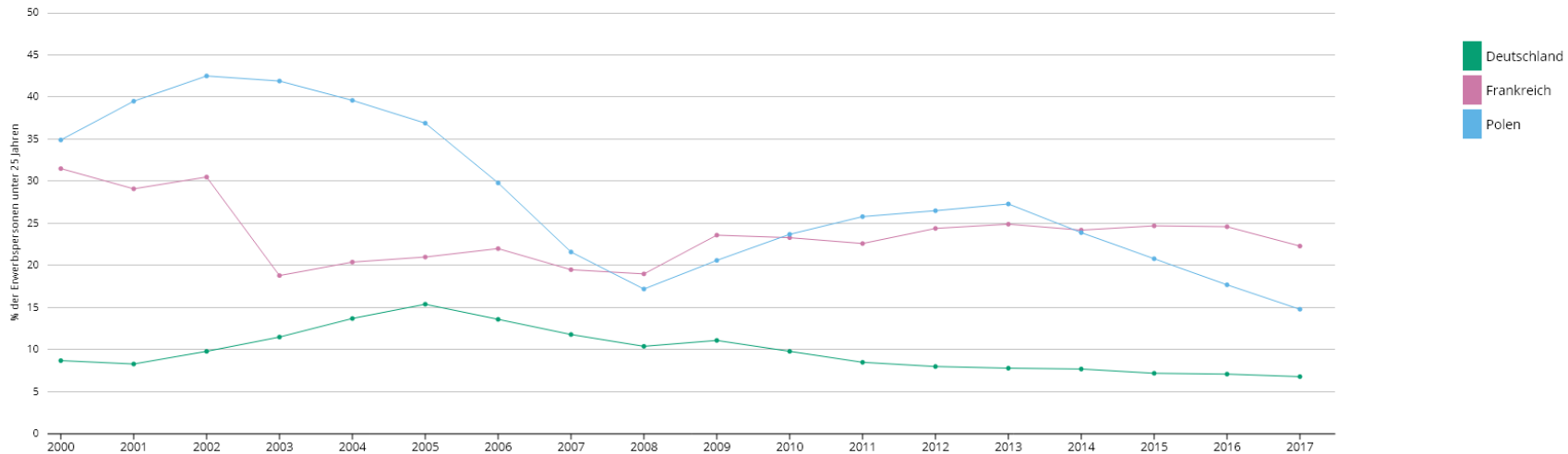
3 Ausgewählte Länder



### Jugenderwerbslosigkeit

(in % der Erwerbspersonen unter 25 Jahren)

3 Ausgewählte Länder



### Gross value added by industry

(as % of total gross value added)

3 countries selected

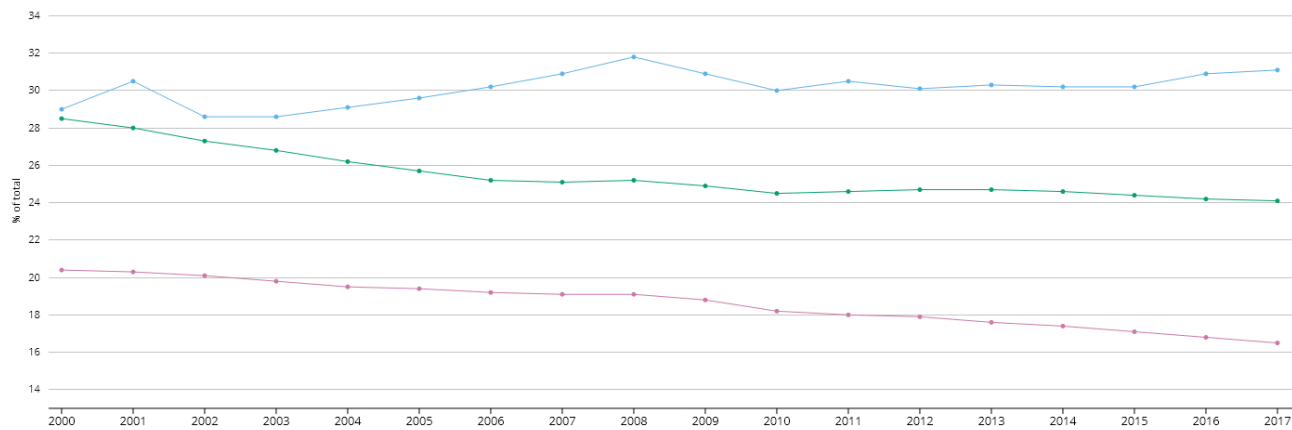


- France
- Germany
- Poland

### Employment in industry

(as % of total employment)

3 countries selected



- France
- Germany
- Poland

# DE and EU: Stage 1 – After WW-II

---

- **Europe, Germany, in ruins, hungry, poor**
- **Fight for dominance in the world between USA and Soviet Union**
  - Eastern Europe, incl. DDR in SU sphere
  - Western Europe, incl. DE in USA-sphere
    - Marshall-Plan and re-building of (German) industry
  - Start of European Market Integration
    - DE needed markets for exports
    - France wanted protection for its large farming sector
- Single Market PLUS Common Agricultural Policy
- **DE industry produces and exports**
  - “Wirtschaftswunder” [Era of Economic Miracle] = re-building after devastating war

# A bombed out Germany

---



Baldwin, R. E. and C. Wyplosz (2009). The economics of European integration

# A divided Europe

---



Baldwin, R. E. and C. Wyplosz (2009). The economics of European integration

---

# DE and EU: Stage 2 – Globalisation

---

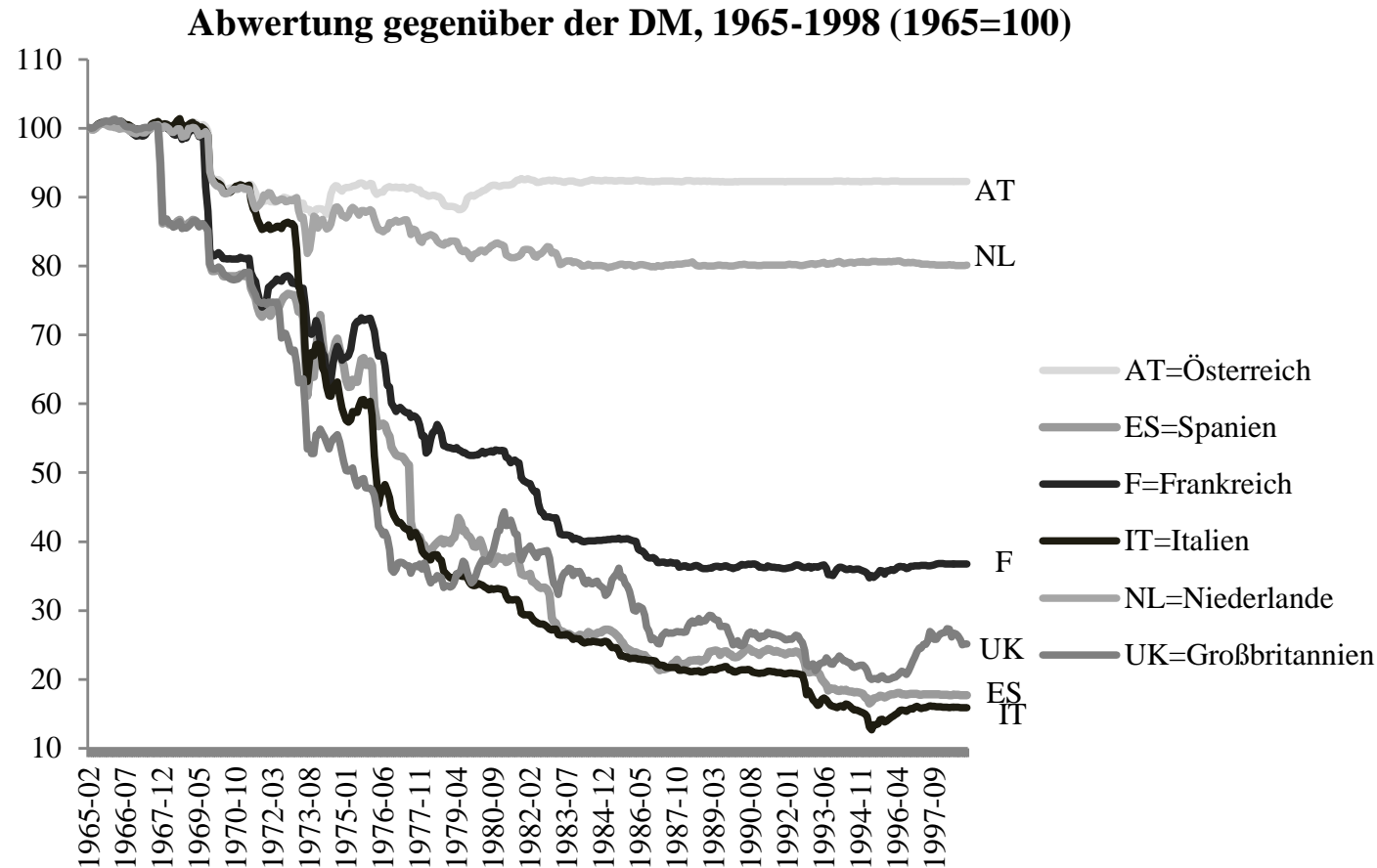
- ❑ **China opens to capitalism (after 1979)**
- ❑ **Collapse of Soviet Union (1990)**
- ❑ **Era of liberalisation and opening of international markets (Ronald Reagan / USA, Margret Thatcher / UK)**
- ❑ **DE open to globalisation**
  - Global Value Chains (GVC)
    - ❑ Manual labour off-shored
    - ❑ German trade unions co-operate
  - Fast expansion to the “East” after 1990
    - ❑ GVC, cheap labour
    - ❑ Prospective markets
- ❑ **France less open**
  - Trade unions and population reject international competition

# DE and EU: Stage 3 – Common currency € (1)

---

- **Differing attitudes within the EU about government spending**
  - DE et al.: balanced budget, low inflation, low interest rates → exchange rate of Deutsche Mark appreciates permanently
  - F, ITA et al.: Deficit and debt growing → plus high wages → high inflation, high interest rates, exchange rate depreciates permanently (short-term “solution” for loss of competitiveness)
  
- **DE before the EURO: Strong Deutsche Mark**
  - Exports more expensive for foreign customers
  - Loss of (price) competitiveness
  - Labour unit cost down by wage restriction
  - Specialisation in high-quality products (not price sensitive) – loss of “simple jobs”

# Strong Deutsche Mark – uphill battle for exporters



Bundesbank-Datenbank; Devisenkurse der Frankfurter Börse, 18.04.2012



# DE and EU: Stage 3 – Common currency € (2)

---

## □ **EURO - Why, who?**

- German dominates monetary policy (cost of credit)
  - German Central Bank ("BuBa") obsessed about fighting inflation
  - France: The dictatorship of "BuBa" forces higher interest rates on us
    - France wants to take over monetary policy via €
- Political vision
  - Common currency as a symbol of European unity

## □ **EURO as a currency from 1999 on**

## □ **Was the EURO a wise decision?**

- Economists sceptical
  - EU not an "optimal currency area"
- Public default or failure of banks (doom-loop) → contagion into other EU-countries
- Maastricht Treaty (1992)
  - Debt and deficit must stay low
  - Central Bank must be independent and must not print money for governments
  - Financial markets will discipline spendthrift governments (- really??)

# Tensions within the EU (economic)

---

- ❑ **“one-size-fits-none” monetary policy**
- ❑ **Stability and Growth Pact (“Limit deficit and debt”)**
  - Is violated all the time
  - National governments keep spending for winning elections
- ❑ **Financial crisis (2009 -) and austerity**
  - Financial crisis asks for fiscal policy – however, the pot is empty
  - “Southern periphery” (Greece, Portugal, Spain / Italy, France) still suffers
  - DE recovered soon after the crisis
  - DE is accused by „periphery“ of imposing austerity and human hardship

# Future of EU (1)

---

## □ **Two conflicting visions**

- Sharing risk between (weak and strong) member states  
contra
- Decision and liability stays with the respective member states

## □ **France wants**

- centralised fiscal capacity in “Brussels” (under French influence)
- common unemployment insurance
- mutualisation of risk and debt
- common deposit insurance
- Central bank (ECB) should accommodate public deficits (“print money for the states”; “lender of last resort”)

## □ **Germany wants**

- DE afraid of “transfer union” and “moral hazard”
- National decisions and national liability
  - No mutualisation of risk and debt
  - No centralised fiscal capacity in “Brussels”
- Stick to debt and deficit rules (fiscal discipline)

# Finality of EU - controversial

---

- **United States of European Union "USEU"**
  - Central parliament and government ("Brussels")
  - Transfer of competencies and tax revenue to EU
    - Taxation, government spending
    - Military, protection of environment, ...
  - Former nation states become federal units
- **Confederation of Independent States of EU "CIS-EU"**
  - Nation states stay independent
  - Co-operation case-by-case between states
  - Flexible alliances
  - No pooling of resources

**The choice for the future can be taken only**

- **Democratically**
- **In unanimity**

**There is very little support for USEU in DE, F, PL, ...**

# The End

**Thank you for your patience !**