

Is the German Economy As Robust as Claimed?

by Rainer Apel

Feb. 14—The good news spread throughout Germany on Feb. 7: The economic downturn is over! Exports rose by 3.4% in 2012, as compared to 2011, already a record year, and the trade surplus was the second-highest in Germany's history. Admittedly, exports to other European Union countries, hard hit by the crisis, were down in 2012 by 0.3%, while imports rose by 0.9%. But overall, things “bode well” for 2013, the Economics Ministry said.

However, a national economy is not measured by exports alone. The German export sector includes, in large part, outsourced productions which generate no jobs in Germany, as is the case with the auto industry, and only partially benefits small and medium-sized enterprises, known as the *Mittelstand*, the backbone of the national economy. This sector generally depends on the domestic market, which has teetered between stagnation and recession in the last months.

Even by GDP standards, which are not a competent measure of economic strength, the German economy is at a standstill. The figure for the fourth quarter, with inflation and seasonal adjustments, dropped 0.5%, according to the central statistic office. Industrial investments dropped by 4.4% on a yearly basis.

Domestic investments and growth could restart through infrastructure development. That is actually the key to the “economic miracle” that turned Germany from a rubble field in the immediate post-war period, into an economic powerhouse a mere 20 years later. Measured against that yardstick, where does Germany stand today?

Stuttgart 21: Railroad to Nowhere

Take the case of the Stuttgart 21 railway project, which was designed as a key section of the future high-speed train connection stretching from the Atlantic coast of France to the Black Sea coast, via south-eastern Europe. Due to numerous delays of the construction work—for various bureaucratic, financial, ecological, and technical reasons—the completion

date will likely be postponed from 2020 to 2023 or 2024, with a rise in costs from EU4.5 billion to EU6.8 billion, experts have warned. The German government representatives in the project do not want to cover the increase in costs, while the state government of Baden-Württemberg and the municipality of Stuttgart, both led by Greens, have rejected increased payments as well. So there is nobody to cover the difference.

Given the different levels of obstructionism and—in the case of the radical ecologists—open sabotage, Stuttgart 21 may be slated for the same fate as other major infrastructure projects that the government has dropped. The maglev lines, Hamburg-Berlin (axed in 1999) and Munich-airport (axed in 2008), were both abruptly cancelled after eight years of debate. And completion of Berlin's new international airport already faces a delay of 2-3 years, with massively increased costs, from its original target date of June 2012. Parts of the airport may even have to be rebuilt from scratch.

If this alliance among the Greenies, the bankers, and the bureaucrats is not broken, large projects have no chance anymore. That is true even for renewable energy projects, such as the envisaged, but critically delayed, construction of several thousand kilometers of “smart grids” for power transmission from the large wind parks in the country's North, to the industrial and private consumers in the South. The panicked government decision in March 2011 to phase out nuclear power completely, and Berlin's obsession with entering the “era of renewables” without having the funds for such costly adventures, spell a future of power emergencies.

At the same time, the increase in energy prices needed to subsidize the highly inefficient renewables threatens to drive energy-intensive industries out of Germany.

Then, there's the case of the shipbuilding sector. It was saved from collapse several years ago when many shipyards were turned into production sites for offshore wind power components (e.g., windmills), but that is now jeopardized by the lack of private investors. Meaningful alternatives, such as building floating power plants for export to developing countries, are rejected by the government.

A paradigm-shift back to Germany's previous commitment to technology and grand projects is long overdue.