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The collapse of the German economic model



Sources: [Image: Spanish Prime Minister Pedro Sanchez, German Chancellor Olaf Scholz and Dutch Prime Minister Mark Rutte. OLIVIER HOSLET / EFE / EPA]

If it were not for Portugal and Spain, the EU would have already entered a recession. I hope that Sánchez and his advisers are clear about it, we must not allow them to do just one. No fiscal rules, no more monetary restriction

It's over. The Growth Model followed by Germany and the Netherlands over the past three decades has finished, it has collapsed. Do you remember his contemptuous arrogance towards us, especially the Dutch? Yes, they called us the manirroto "pig" countries in southern Europe. I'm sorry, but, yes, I must admit that I It doesn't give a damn about their current situation. They imposed on us a series of unnecessary adjustments to deal with the

2008 private debt crisis, which In the case of Spain, it was a consequence of the economic growth model designed by European, German and Central European elites, with the aim of acquiescence of our own, both political and economic. That would have been enough a national bank bailout at the expense of creditors – basically German banks, Americans, French, British, Dutch... – who did not assume their Faulty risk control. But no, they had to force us to a rescue at the expense of our fellow citizens, via increased public debt, asking us, the very brave ones, for a fiscal adjustment (these rates they were unaware of, and still are, Wynne Godley's sectoral scales). All of this They also spiced it up with a brutal wage devaluation. They inflicted a unnecessary harm, exponentially increasing the poverty of our Fellow citizens.

But things have changed drastically. The war in Ukraine has exposed feet of clay of the German giant, both economically and geopolitically. From a From an economic point of view, they have lived the last three decades from the rents that extracted from the former GDR, especially from their families and workers, and, of Southern Europe, as well as privileged relations with the Ex-Soviet Russia. The situation gets even worse when, from a point of view From a geopolitical point of view, the current coalition government shows an absence of German's own vision of the world, following the dictates of the German Empire. Anglo-Saxon. As a consequence, German industry has ceased to be Competitive. Its non-labour costs, mainly energy, have been reduced Shot. They had no alternative to cheap Russian gas. And now, it's all gone to hell Hell. But let's take it one step at a time.

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I never understood the attitude of genuflection, adorned with a sense of inferiority, of our class politics in the face of comments made by Mark Rutte or the former Jeroem Dijsselbloem, or Angela Merkel herself. As economist Paul De pointed out, Gruawe, "Each and every one of these politicians maintains anti-Spanish prejudices, anti-Italian and, in general, against Latin and peripheral countries. Are convinced that with their savings they finance the Spanish party and the chaos Italian." The worst thing is to see that in our country the political and media right He accepted this dictate without even briefly

analyzing what they say. Because the reality is quite different: the South, since the creation of the Euro, has financed in Northern Europe.

Economist Richard Koo, at In mid-2012, he published an excellent article, "*The entire crisis in Europe started with a big ECB bailout of Germany*". As Koo aptly describes, the so-called "competitiveness" of the countries of southern Europe was the result of an excessively expansionary monetary policy of the ECB back in 2002. This one had as an ultimate goal to stimulate the economy so that Germany would not have to expand its growth via fiscal policy. However, the impact on Germany's domestic demand was zero, as it was in a recession of balance sheets. On the contrary, it accelerated and inflated the bubbles in the periphery, especially in the real estate sector, which boosted the German imports, rescuing Germany from the fears caused by the bursting of the tech bubble, from which the Southern European countries. The competitiveness problem in 2007 was only attributable to the Treaty's 3% limit on the fiscal deficit.

The underlying problem of the The European Union is deeper, its design, from its origins, was tailor-made of Germany. On the one hand, the entry of southern Europe into the euro, with the with the consent of its elites, ended up destroying our industrial sector that was not prepared for the free market (see the analyses of the Professor [Ha-Joon Chang](#) on the Myths of Contemporary Capitalism). But that's not all. Germany did not want to reduce its current account surpluses by policies that would facilitate greater consumption by their families. He didn't want to either. assume the consequences of the price risk of their banks' investments. Now they'll have to eat their words. They will have no choice but to bear an increase in the deficit and public debt, which in itself does not is negative, in a context of continued private savings seasoned, in this case, lower foreign demand for German products. Its model based on the The foreign sector has been exhausted. In addition, the shift in favor of another model based on more in consumption requires going through a recession – see Michael's studies Pettis.

On the other hand, Southern Europe is growing. If it were not for Portugal and Spain, the European Union would have already entered a recession. Spain has been the European Union's fastest growing economy in 2023, as in 2022, and will do so again in 2024, unless the European Central Bank and/or Brussels return to their old ways. That is why, and I

hope that Sánchez and his advisers are clear about it, we must not allow them to do just one. No fiscal rules, no more monetary restraint.

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