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Letters

Trump Way Off the Mark on Germany and the EU

Sir, Istvan Dobozi (Letters, January 24) feels that President Donald Trump is correct when labelling the EU as “basically a vehicle for Germany”. This statement is way off the mark and does not reflect reality.

First, the Germans did not want the euro because they cherished their own currency, the D-Mark. They gave it up because it was the price, demanded by French president François Mitterrand, to be paid for German unification. Second, it was precisely the Club Med periphery countries — Spain, Portugal, Italy and Greece — which desperately wanted to join the eurozone as a proof of their maturity and European credentials.

The southern countries benefited tremendously from the trust and confidence embedded in the euro as a successor of the D-Mark — they enjoyed extremely low financing costs for their public and private debt for almost a decade. During this honeymoon decade these countries could have implemented structural reforms to improve the competitiveness of their economies. Some of them, like Spain, introduced a few, others did nothing. Instead, they applied an excessive fiscal shower to buy votes and create illusions of a good life.

The governments of these countries knew all along that, should any crisis come, they would no longer be able to use external devaluation. Even after the outbreak of the global financial crisis, they could use internal devaluation, ie nominal decrease of wages, subsidies, transfers and prices, to get out of the crisis. Some of them accepted that, others not. Internal devaluation would have restored the competitiveness of Club Med. Therefore it is unrealistic to talk about an unfair German trade advantage as something imposed by Germany.

Finally, Germany has made tremendous sacrifice by accepting a rather weak currency — the level of the value of assets held by German households is way below that of France and Italy.

Trade benefits might be substantive for Germans but it is not a consequence of deliberate German government policy. Rather, it is an unavoidable byproduct of a monetary union that has proved absolutely beneficial to all those members which were able to understand and live with the requirements for its sustainability.

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