

European Mindgames

Damned if you don't, damned if you do

EU nations should be welcoming French and German attempts to suggest ways to revive their competitiveness

The French and German governments may be criticised for a lot of things, such as a lack of tact or diplomacy, but in presenting the recent package on measures designed to improve Europe's competitiveness, they cannot be criticised for their sense of economic realism. Europe, after all, is not an island unto itself.

That is why the recent move by Germany and France to provide a sober assessment of specific changes that are required on the road to economic reform ought to have been welcomed widely. That fact that it wasn't says a lot about the games being played by European leaders.

Of course, it might have been more palatable if the Merkel/Sarkozy proposal had been prepared by a group of countries including, say, the Netherlands, Sweden, Poland and others. But should concerns over what ultimately boils down to political cosmetics really matter that much? Would the package have been different in substance?

It was only quite recently that charges were levelled at the German and French governments that they had lost not just the ability, but also the will to move Europe ahead. Their passivity was alternatively interpreted as a consequence of friction between the two governments or as a result of their mutual inability to deal with the tough stuff.

Items such as raising the pension age, having effective public debt limits

and sensible wage policies are precisely what needs to be done. None of these are popular measures. But haven't governments been called upon to treat voters as adults and to stop trying to demagogue them with sweet-sounding platitudes?

Against that backdrop, it is hard to fathom that suggestions to raise the pension age, for example, represent an invasion of a country's sovereignty. Setting the correct retirement age ought to be strictly a matter of calculating a nation's own financial resources correctly - without resorting to claims that "the Germans (and the French) made us do it."

And yet, we need to remember that the essence of progress on structural economic reform in the EU, to the extent that it has been accomplished, has often been rooted in a variation of the "my neighbour made me do it" argument. In other words, national politicians prefer to present arguments in favour of painful reforms as a function of some European integration process, in whose path they had tried to stand valiantly, but no longer could, unless one's neighbouring country was destined to pass one by.

Other critics have argued that the Franco-German package does not address the root causes of the financial

crisis. While they do have a point in this regard, it is at the same time implausible to argue that broadening the package further would have made it more palatable, when the proposal in its current, more limited form is already said to represent a diktat from Paris and Berlin.

Next, how about the claim that the package is an effort to remake Europe in the German image or style? Well, far beyond just Germans, plenty of Dutch, Swedes, Danes, Finns, Poles and others, given the high level of integration of their economies globally, share the sense of economic realism and connectedness to global economic circumstances that is vital to Europe's future.

The British government, for one, hardly suspect of kowtowing to Germany, would appear to support many, if not all of the features of the proposed package in terms of sharpening Europe's competitive edges.

Our business leaders constantly receive signals from other competitors around the world. Receiving those signals on prices, technology trends, etc, we have two choices: we can either ignore them or we can use them to adjust, optimise and refine the way we operate.

If we choose the former path, we ultimately opt for a deindustrialisation

strategy. We may feel happy as a lark until it's too late. Opting for the latter path gives us a fighting chance to preserve employment, innovate and maintain, or even advance, our standard of living.

Reducing this fundamental choice to a matter of "Germanising" Europe is regrettable. It ought to be dismissed out of hand if it weren't such a powerful reminder of the lingering attractiveness of playing on stereotypes in order to prevent reforms from getting done.

If we Europeans were more honest with each other, we would find that many European nations already operate in what is labelled the "German" style. The Germans, indeed, would be the first to admit that there is nothing very German about how they operate. It boils down to a simple rule: observe, reflect and adjust, including if and when prodded by your neighbours.

Ultimately, the German economic formula can be boiled down to this: Nothing so much stimulates progress as reflecting about the sources of strength of others. That, however, is a universal insight, there is nothing German about it.

This also makes plain one final point: Whatever shortfalls there may be to the concept of competitiveness, it is a politically effective call on a people to have the courage to do better and try harder than in the past.

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