

# **The German current account surplus - Holding captive the German and global economies**

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## **Abstracts**

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### **SUMMARY**

The size of Germany's current account surplus is an economic phenomenon as the forces behind it go beyond the simple competitiveness of German exports. Indeed, the widening gap between domestic savings and investment is the determinant of this trade surplus, which is shaped by the actors of the German economy; namely firms, the government and households. Furthermore, the harmful impact of this trade surplus reaches across the domestic economy - where it is a source of rising inequality and limited social welfare - to the global stage, where it acts as a means of destabilizing the economies of countries that accumulate unsustainable debt through trade deficits.

### **KEY HIGHLIGHTS**

The German exporting model has been based on the depreciation of German labor, as that is reflected by industrial relations and labor reforms. Simultaneously, the propensity of German households to save has led to subdued domestic consumption, reinforcing the exporting model. Furthermore, the attachment of the German government to fiscal surpluses has further enhanced this trend.

The German exporting model is destructive for the global economy as it leads to the indebtedness of other countries while lying on the economic distortions of an undervalued currency.

The current account surplus of Germany is a source of rising inequality and limited welfare for the German population as it has been built at their expense, with the benefits offering a lot to a few winners.

## **SCOPE**

Explores the size of the German current account surplus.

Analyzes the forces behind the German current account surplus.

Explores the various dynamics across the actors of the German economy that shape its current account surplus.

Assesses the impact of the German current account surplus on the domestic and the global economies.

## **REASONS TO BUY**

How and why has the German current account surplus reached enormous levels?

Why is the German current account surplus destabilizing for the global economy?

Is the German exporting growth model beneficial for the domestic economy?

## Contents

Overview

Catalyst

Summary

Export model creates huge surplus

Size of German exports and trade surplus is enormous in relation to national economy

Current account surplus of Germany is a global economic phenomenon

The force behind the German surpluses are the domestic savings and investment gap

Household savings are the cause but not the accumulator of the trade surpluses

German government's attachment to fiscal savings urges trade surpluses and puts brake on domestic consumption

Firms have accumulated capital stock exploiting the internal depreciation of labor and the German industrial relations model

German trade surplus sets at risk the sustainability of national and global economies

The trade surpluses of Germany are the trade deficits of the other countries

Germany exploits fact that Euro is an undervalued currency for her and an overvalued currency for the other Euro Area members

German economic growth model does not seem to work for its people

Current account surplus built at expense of household income

Consumption rigidity of German households limits their own prosperity

There is no robust economy without domestic consumption – Germany is playing with fire following a self-destructive model

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