Support for saving the Euro within German industry is deeply split. Large exporters want to see the Euro continue, small and family firms do not.

Jul 14 2012

Do German business leaders support measures to prop up the Euro and prevent Greece from exiting the currency? **Philine Schuseil** *writes that there seems to be a division in support, with German family businesses in favour of regulatory rules and less integration for the Eurozone, and those who run larger firms and export-orientated businesses defending the Euro and moves towards greater integration.*

The German business magazine, the Wirtschaftswoche wrote on 1 June about the two different positions among representatives of German industries on the future of the Eurozone. On the one hand, those who run most DAX (the German stock market index) enterprises are generally aware of the benefits of the Euro. The larger and the more export orientated the enterprise is, the clearer its defense of the Euro. The chairman of Audi, Rupert Stadler, says "There is no alternative to the Euro. Germany benefits from the monetary union so we must do everything in order to keep the single currency strong."

On the other hand, German Family Businesses and in particular the assosciation of family businesses, *Die Familienunternehmen* sees the future of the Euro from a different point of view. Lutz Goebel, president of *Die Familienunternehmen,* states that "Better a miserable end than endless misery "in regard to a possible GREXIT. A necessary consequence of the crisis, according to Goebel is that "Europe does not need a centralised economic government but an economic system with clear regulatory principles (Ordnungpolitik)."

The *Alliance of Jena, which* represents small businesses, has called for stronger regulatory guidance in Europe instead of economic governance. In June they wrote in the *Frankfurter Allgemeine Zeitung*, denouncing regulatory failures in the EMU due to too weak monetary and fiscal policy commitments. Moreover, from its inception the EMU has suffered from two fundamental design flaws, namely the inclusion of Member States which did not fulfil the conditions required for membership and a non-credible regulatory framework. The first design flaw can no longer be corrected: while it was easy to join the Eurozone, it has become difficult to leave without significant costs and side-effects. However, the second design flaw can and must be urgently corrected and a regulatory framework should contain certain rules such as a mandatory balancing of structural budgets modelled after the German or the Swiss debt brake. However, neither the EU nor individual Member States should provide specific guidelines on how other democratic countries should reach this objective and the ECB should return to its original mandate which consists uniquely in ensuring price stability.

Recently, the President of the main German industry association BDI, Hans-Peter Keitel reacted to this position by writing a letter to the most important German companies and the *Länder* expressing his support for Angela Merkel and her EU policies. According to *Handelsblatt,* Keitel says that "the assurance of the monetary union in the long run is of elementary interest to each of us" implying that one should not call for GREXIT. Keitel supports further political integration in the EU. The crisis has shown that a "common currency policy needs a mutualisation of important elements of economic and financial policies."

After the EU summit last week, BDI representatives again expressed their support for the Chancellor's EU policies by underlining certain conditions. BDI Chief Executive Markus Kerber said to the Handelsblatt that there will be no financial aid without structural reforms. "The Federal government sticks to its philosophy: no service without a service." The reason for his position is the slow implantation of structural reforms in the countries under assistance: Kerber has almost the impression that "the pace of reforms declines". Moreover, Kerber defines conditions regarding the summit decisions: EU banking supervision must be truly independent and there must be strict conditions for the direct recapitalisation of banks by the ESM and all States have to agree with these conditions. Kerber considers it as essential to guarantee the congruence of accountability and control. Propping up banks needs to lead to a transfer of ownership of the respective institute to the supporting party. Moreover, more sovereignty should be transferred. For instance, Kerber thinks that "the setting of limits on national borrowing would be a step in the right direction."

What are the main differences between the two positions according to the *Handelsblatt*?

Greek exit: An exit of Greece or another country of the Eurozone is beyond question for the BDI, while the representatives of the Family Businesses favour a Greek exit. The so-called "Berliner Erklärung", signed by 100 middle class firms has called for a Greek exit and also for the abolition of all additional aid for Greece.

Eurobonds: The BDI position regarding Eurobonds is not unanimous. They agree with Angela Merkel in a sense that they consider the introduction of Eurobonds as a final step after a long process of integration. The Family Businesses, on the other hand, are clearly against the introduction of Eurobonds

ESM and Fiscal pact: While from the point of view of the BDI, the ESM is an appropriate mean to tackle the debt crisis, Burn-Hagen Hennerkes of Family Businesses, says that the ESM is not an appropriate means and that it constitutes a "Black Box" due to its far reaching powers of immunity. They suggest the Bundestag deputies do not approve it. Regarding the fiscal pact, the BDI considers it as a further step towards financial stability, while the Family Businesses see the pact rather critical.

Role of the ECB: Six months ago, Keitel was still vehemently against the purchasing of government bonds on the secondary market, but this position seems to weaken given the international pressure on Germany. The Family Businesses are clearly against the purchase of bonds and any expansive monetary policy of the ECB and want the ECB to return to its original mandate.

Can these two positions be confirmed by official statistics in regard to export activities? On the one hand, the position of the BDI can be confirmed by official export statistics for German large industry. Consider, for example, the German chemical industry that, according to the BDI Aussenwirtschaftsreport 05/2011, exported about €142 billion in 2010 with an export quota of about 80% and an export surplus of about €40 billion. However, the exports of the German *Familienunternehmen* do not seem to be negligible enough to be able to confirm their position. According to a 2011 BDI survey among German *Familienunternehmen*, 81.4% of the participating companies are active in both purchasing intermediate goods from foreign contractors and selling services and goods to foreign clients. Only a small percentage out of them is internationally active uniquely on the supply side (5.9%) or on the demand side (7.8%). 98% out of the *Familienunternehmen,* who sell goods and services abroad, are active in the export business and the export of products and service is the main form of foreign businesses. The*Familienunternehmen* active in the industrial sector have the highest export quota of around 45%.

A version of this article was originally published in Bruegel Blog

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