



To stop sinking, Germany must drop its failed economic policies

PRINCE MICHAEL OF LIECHTENSTEIN

Germany has been experiencing economic contractions for two years. To recover, it must abandon the self-defeating, ideology-driven government projects.



A German technician inspects a steel part before it is used in production.

This interview with German entrepreneur and founder and president of the Initiative Zukunft Wirtschaft Deutschland e.V. (IZW) **Andrea Thoma-Boeck** on the root causes of her country's economic trouble and the necessary solutions was conducted by GIS founder and chairman **Prince Michael of Liechtenstein**.

Germany, the fifth-largest global economy and by far the largest in the European Union, is facing challenges that impact all of Europe. What are the root causes of this situation?

We are facing the consequences of a toxic mix of self-inflicted troubles: irrational energy policies, crippling bureaucracy, high labor costs, excessive taxes and a skewed public debate that ignores economic and socio-political realities.

The current government fails to recognize essential economic and technical inevitabilities that must be accepted in both science and economic policy. Germany's fortune, like that of any developed country, relies heavily on energy, as well as a pragmatic, business-friendly regulatory approach. The government's miscarried energy transition has resulted in volatile and uncompetitive energy prices, jeopardizing supply security and predictability. Consequently, there has been a contraction in our economy for two consecutive years, specifically a decline of 0.3 percent in 2023 and a projected further contraction of 0.2 percent in 2024, marking its second consecutive year of economic decline.

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Our cross-industry, non-partisan Future of the Economy Initiative Germany aims to fight for the freedom and prosperity of all by challenging the prevailing agenda.

As it prioritizes energy transition and climate goals, the government imposes heavy burdens on small- and medium-sized enterprises (SMEs), the backbone of our economy, leading scores of them to close, scale back or relocate. Excessive bureaucracy and overly strict enforcement of EU regulations further hinder Germany's businesses, prompting relocations to Eastern Europe and other locations with more flexible rules – more evidence of our government's lack of sanity.

Challenging the government's economic agenda

German industry's share of the country's total increased value is declining. Can this trend in manufacturing be reversed?

For that to happen, we must abandon the ideologically defined path we are on. Germany needs to announce a clear turnaround and provide entrepreneurs with practical solutions. Our cross-industry, non-partisan Future of the Economy Initiative Germany (**Initiative Zukunft Wirtschaft Deutschland**, or IZW) aims to fight for the freedom and prosperity of all by challenging the prevailing agenda. By exposing the negative consequences of current policies, we can generate public pressure on the government. The IZW's energy expert team, for example, debunks myths surrounding the energy transition and highlights energy-efficient solutions. We also need more economic expertise in the Bundestag and government; as experienced entrepreneurs, we can contribute significantly. For much too long, we have remained publicly silent, focused solely on our work.

Facts & figures



Andrea Thoma-Boeck is an entrepreneur and advocate for improving economic conditions in Germany.

- **Professional background:** Managing partner at Thoma Metallveredelung GmbH since 1996, alongside her sister Christine Thoma-Kemser; Chief Executive Officer responsible for sales and marketing in a company with approximately 130 employees
- **Company focus:** Specializes in galvanic coatings, enhancing product longevity up to 100 years; pioneers in environmentally friendly galvanizing technology, crucial for various industries such as automotive, medical technology and renewable energy
- **Advocacy leadership:** Founder and president of the Initiative Zukunft Wirtschaft Deutschland e.V. (IZW), a nonpartisan, nationwide platform advocating for the improvement of economic conditions in Germany, particularly focusing on the needs of small- to medium-sized enterprises and family-owned businesses
- **Advocacy work:** Active in the Association of German Chambers of Industry and Commerce since 2018, advocating for regional economic interests; unanimously re-elected as regional chairwoman in November 2023; serves on the presidium of IHK Schwaben
- **Industry contributions:** Founding member of VECCO e.V., a European network focused on the use of EU-regulated substances in surface technology
- **Awards:** Received the State Medal for Special Services to the Bavarian Economy in 2011
- **Personal:** Born in Memmingen in July 1967; married with two children.

Overburdened German industry

Midsized companies in Germany contribute over 60 percent of total increased value and provide 55 percent of jobs, making them a vital driver of innovation and productivity. What have been the keys to their success?

The manufacturing sector has long been Germany's "export powerhouse," driven by its capacity for innovation and a technological edge over competitors. While German products have never been the cheapest, the "Made in Germany" label has come to symbolize exceptional quality. For generations, Germany has been renowned as the land of engineers.

High labor costs and shorter working hours have long been manageable through continuous investment in advanced technologies and efficiency improvements. The same applied to energy costs, which have historically been high. This strategy has worked for many years. However, recent developments indicate that maintaining this approach is becoming increasingly challenging due to elevated energy prices and regulatory overreach.

The government is not fully aware of the critical importance of the manufacturing sector, as the conditions for industry have deteriorated significantly. This oversight imperils Germany's economic stability and competitiveness.

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This erosion of industry threatens the very foundation of our society, as it relies on these enterprises for peace and prosperity.

Expensive and internationally uncompetitive electricity prices resulting from the self-inflicted energy crisis are having a particularly negative impact on the manufacturing industry. Supply security is increasingly at risk, and inflation driven by high energy costs has led to rising labor and production expenses, contributing to stagflation in the broader economy. Stagflation is characterized by a lack of economic growth, high unemployment and rising prices. The combination of these factors creates a challenging environment for both consumers and businesses, as purchasing power declines while costs continue to increase.

Read more on Germany's economic decline

- [Germany's 'fat years' are over](#)
- [Germany's scramble to revamp its energy policy](#)
- [The slow death of Germany's political center](#)
- [A silver lining on the horizon for Germany](#)

The rising labor costs in Germany's welfare state are becoming increasingly burdensome. Simultaneously, discussions about work-life balance and reducing working hours are gaining traction. However, digitalization and artificial intelligence remain largely unexplored territories for our government.

The consequences are already evident as companies increasingly invest abroad, leading to their progress occurring elsewhere. This erosion of industry threatens the very foundation of our society, as it relies on these enterprises for peace and prosperity.

Wasting resources and opportunities

What effect does the growing size of government and administrative sectors – such as legal, tax and auditing services – have relative to production and services on SMEs in Germany?

The service, consultancy and appraisal sector in Germany and Europe is expanding, mainly due to rising bureaucracy. Consequently, many industries now find administrative costs outweigh innovation expenditures. This bureaucratic burden also consumes valuable personnel, exacerbating the existing labor shortage caused by demographic changes. Resources are wasted on non-value-added activities, and for some companies, these costs have become untenable. The same issue applies to the state's escalating expenses, which continue to grow. We are effectively mismanaging ourselves into decline.

Are the increasing national and supranational regulations, such as the EU Supply Chain Act, that require companies to oversee their processes and supply chains realistic in terms of feasibility and cost-benefit assessment?

No, these requirements are unrealistic and unfeasible. Small and midsize companies lack the necessary oversight of complex supply chains and extensive product ranges, as well as the market power to comply. The costs associated with documentation obligations are excessively high and disproportionate to any perceived benefits, tying up valuable resources. These burdens will drive many companies out of challenging markets, as civil liability poses an unacceptable risk. Additionally, the cascading effects of documentation requirements will hurt small companies that are not directly affected. Ultimately, this well-intentioned law will backfire, draining German exports and prompting our business partners in non-EU countries to view us as too complicated to do business with. In the end, we risk achieving the opposite of our intended goals.

There is concern in Africa that fewer of their products and services will be requested in Europe, and fewer European investments will be made on the continent due to the complexity of this law. What is your view on this?

I share this concern. The moral finger-pointing associated with this law will cause significant dislocation on all sides. A June 2023 survey by the German Chamber of Commerce and Industry revealed that nearly a quarter of companies affected by the Supply Chain Act are considering terminating trade relations or withdrawing from risk countries due to unfeasible requirements and a lack of legal certainty. Some cooperation agreements have already been canceled. A major German coffee company plans to withdraw from Ethiopia “with a heavy heart.” While the EU’s intention is to protect forests, it is driving Ethiopian coffee farmers into crisis in the process.

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Many companies in Germany are increasingly hindered by inadequate infrastructure, particularly in the transport sector.

This approach is neither desirable for development policy nor conducive to the diversification of supply chains, and it fails to support human rights. While it is true that German standards are not universally upheld, undermining revenue opportunities for moralistic reasons appears counterproductive. A more effective strategy for the EU and its member states would be to actively promote improvements in environmental practices through various existing initiatives.

Crumbling infrastructure

How has Germany’s neglect of infrastructure and digitalization investments over the past few decades impacted its industrial sector?

Many companies in Germany are increasingly hindered by inadequate infrastructure, particularly in the transport sector. Poorly maintained roads and dilapidated bridges are affecting logistics efficiency – crucial for industrial operations. Additionally, the rail network lacks the capacity needed to support modern logistics demands, further impairing supply chains.

State funding for maintenance, expansion and new construction is insufficient, which is a disadvantage for companies located outside urban centers. Lengthy planning and approval processes create significant barriers to investment, prompting some businesses to relocate to areas with more streamlined procedures.

Concerned, German companies advocate for simplifying and digitizing application and documentation processes within public administrations. That would help alleviate delays in investments and encourage businesses to remain competitive in an increasingly global market. Establishing efficient digital structures tailored to business needs is essential for fostering growth and improving infrastructure resilience.

Four solutions

If you could prioritize four critical changes for the German economy, what would they be?

The first would be to foster more entrepreneurial freedom. This requires a greater trust in the personal responsibility of companies, allowing them the flexibility to innovate and grow.

Next, we urgently need to enhance economic competence within politics. More businesses need to voice their perspectives so that we can create better framework conditions that support growth and sustainability.

Additionally, establishing effective cooperation between public authorities and companies is crucial. This collaboration should be results-oriented, moving beyond rigid administrative procedures to focus on practical outcomes that benefit both sectors.

Lastly, I envision a robust social market economy where the free market operates alongside a supportive welfare state. The state's role should be to regulate economic activity in a way that enhances the prosperity of all citizens without unnecessarily compromising their well-being. Together, these changes could significantly strengthen the German economy and create a more dynamic environment for all stakeholders.

Thank you for this engaging conversation; I appreciate your insights and wish you success in your endeavors.

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Report published:
October 25, 2024

Document version/created:

October 25, 2024