

Germany, a champion in decline

**From export world champion to heated shelters and power outages:
Deindustrialization is advancing. Who will stop this madness?**

by Marc Friedrich*



Marc Friedrich. (Photo Alexandra Nick (F&P))

“Germany must die!” This is the title of a popular song by the Hamburg punk band “Slime”, to which people like to dance the pogo. Can a country die? Yes, first its own economy and then, more or less in the long term, the entire country, for the economy is the heartbeat of a country. And if the heart dies, everything else

ceases to function.

Patient “Germany” was admitted to the emergency room with a few symptoms that have recently worsened rapidly, and is now in intensive care.

So far, there has been no heart fatality, but there are several warning signs that an acute and severe heart attack is imminent. We are witnessing atrial fibrillation in the form of rapidly rising energy prices and massive public insecurity, expressed by a reluctance to purchasing.

Blatantly overwhelmed politicians and blunt warnings from worried industry representatives are causing the heart to stumble – and a few minor heart attacks have already occurred in the form of part-time work and bankruptcies of the first few companies. Even a layman would attest: all is not well with the patient, acute danger is imminent.

The situation is becoming more and more dramatic.¹ You have to rub your eyes and realise you’re not caught in a nightmare. If someone had told you a few years ago that people in Germany would be dealing with an energy crisis, power cuts, heated shelters, empty shelves and weapons deliveries called for by the Greens, you would rightly have called that person crazy or a

conspiracy theorist. But right now, we are witnessing precisely this paradigm shift at an astonishing rate, and the decline of the country along with it.

More and more companies are complaining about high energy prices, and associations and industry representatives are predicting a wave of insolvency and deindustrialisation in Germany.²

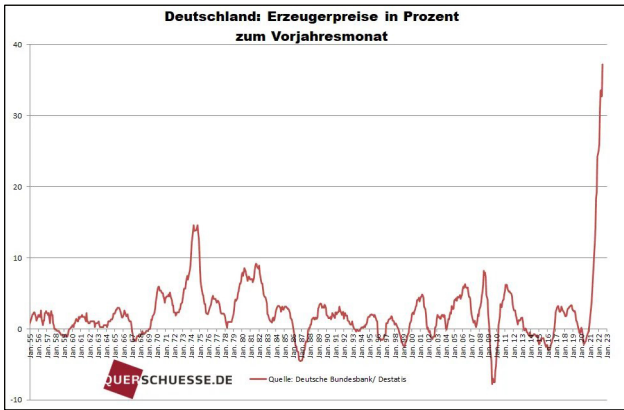
The dramatic increase in energy and electricity prices is not only putting pressure on citizens, but also on the German economy and industry. Energy-intensive industries such as chemicals, glass, paper and metalworking are facing the wall. Companies are increasingly downsizing their production in order to reduce their costs. Employees are being put on part-time work and investments are being halted.

Speaking of investments: foreign companies will think twice before investing in Germany, a country with high taxes, record high energy prices and red tape. Similarly, 10 per cent of companies are already considering relocating their production abroad in order to get energy costs back under control and thus remain competitive on the global market. Others have given up and closed down completely, or have had to file for bankruptcy. More companies will unfortunately follow if the situation does not improve quickly. The inevitable recession³ will make the situation even worse for many companies and citizens.

Germany’s spectacular descent will go down in the history books just as much as its success was marked by the economic miracle: from economic powerhouse to heated shelters in the span of just a few years.

The colossal rise in producer prices shows how precarious the situation has become. These rose by 45.8 per cent in August to the highest level recorded since data were first collected – in 1955. Compared to the previous month alone, prices rose by a whopping 7 per cent. Energy was the main driver of rising costs: coal, oil, gas and electricity more than doubled over a year. The rise in electricity was particularly dramatic: +174.9 per cent. It is important to know that producer prices signal other disturbances, as they

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[Germany: Producer prices in per cent compared to the previous month] Precursor to inflation: producer prices. (Source Buba)⁴

have traditionally been regarded as a precursor to inflation.

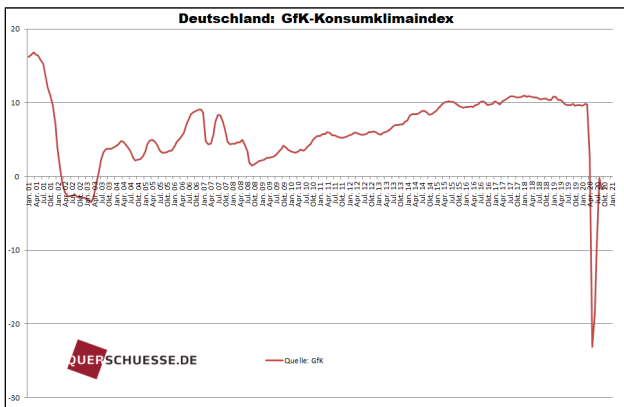
Companies have to pass on price increases to the end customer, or face bankruptcy. If they manage to pass them on, this in turn means a further price increase – thus stimulating inflation and thus an additional burden on citizens.

This results in consumers being unwilling to buy, as the following graph shows. The GfK consumer sentiment index recorded an all-time negative record:

Almost half (47.5 per cent) of German companies will raise their prices. In the food industry, almost all companies will pass on the costs to consumers.

Sources of potential heart failure in the economy have resulted from the accumulation of bad political decisions taken in recent years due to hubris, complacency and blinding dogmatic ideologies: a completely failed and hasty energy transition; and ideology rather than pragmatism.

Germany is now increasingly becoming a country apart and against the tide. Not only is it the only country in Europe to make it compulsory to wear a mask and apply the Covid meas-

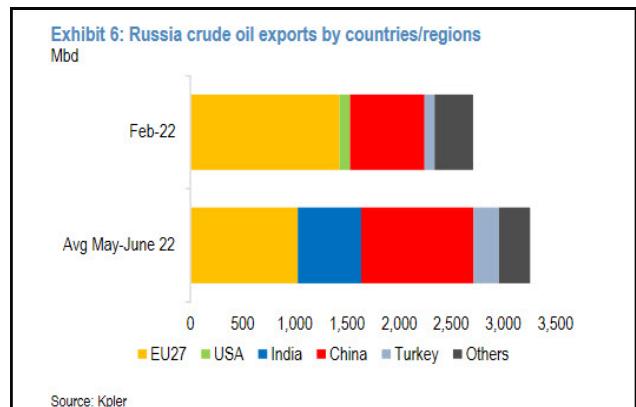


Consumer climate index: Shopping mood at its lowest. (Source GfK)⁵

ures, but it is also the only country to close down safe and functioning nuclear power plants, while all surrounding countries want to restart theirs and even build new ones. The fact that the EU has now labelled the taxonomy for gas and nuclear power as “green” is a further slap in the face to German policy and, de facto, a clear admission of failure for Germany’s energy policy over the past years.

Ukraine may or may not win the war – but Germany has already lost it. And the sanctions are having an effect – unfortunately at home. Not everyone knows that the majority of the world community is not involved in the sanctions and continues to trade happily with Russia. This becomes so grotesque that we buy Russian gas at a premium via China or India. The fact is that sanctions have failed and are hitting this country the hardest, while Putin has never made so much money from his gas and oil sales. His income from the sale of raw materials far exceeds the costs of the war. All this will pose a lasting threat to Germany’s productivity and competitiveness. And security of supply, which endangers our prosperity as well as social security.

Crises and the resulting problems are then happily “solved” by the arsonists with taxpayers’ money, in order to be praised as firemen. Absurd, but unfortunately true. Redistribution and socialism are in vogue. The citizens are increasingly becoming minor dependent on the political teat, who thinks twice before expressing his discontent and biting the hand that feeds him. This is why politics welcomes crises and knows how to exploit them skilfully. Let’s remember that if the state ‘gives’ you 300 euros to finance energy, it has to get the money from somewhere else – through taxes or new debts. No matter how, it is we, the citizens, who pay.



Russian crude oil exports by country/region, in million barrels/day (Mbd). Things are going well for Putin – at least economically. (Source Kpler)

The prime example of this downturn is the long-time powerhouse of the German economy, the automobile industry. Back in 2021, production fell by 11.7 per cent and in the first half of 2022 it fell by a further 2.9 per cent compared to the previous year. It is not clear if our automotive companies will be able to complete the transformation process and survive. Nor is it clear whether the future of mobility will really be electric and where the necessary electricity will come from (I'm not even talking about the raw materials). The truth is that neither the sun nor the wind are currently capable of providing a base load.

It is not only in the automobile industry that the picture is bleak. Industry and trade are now sounding the alarm. "Many people are up to their necks in water", says *Hans Peter Wollseifer*, President of the *Central Association of German Skilled Crafts* (ZDH).

In his opinion, politicians must intervene quickly with state aid, otherwise the craft industry risks a wave of insolvency. A survey conducted by the *Federal Association of Small and Medium-sized Enterprises* (BVMW) among 835 German companies shows how dramatic the situation is. According to the survey, more than 40 per cent of German SMEs are under threat.

If Germany continues on its current path of deindustrialisation, it will lose massive productivity and competitiveness, costing jobs, social security and prosperity. The nationalised energy supplier *Uniper* is a good symbol of the current crisis. It had relied 50 per cent on Russian gas, which proved fatal – the group was on the verge of bankruptcy. Germany shares the same

fate: our stake in Russian gas was also 50 per cent. Is it close to bankruptcy?

There is still time for politicians to avoid sudden death. This requires more realism and less ideology and dogmatism. It also means admitting that at present we cannot give up either clean nuclear energy or fossil fuels.

Unfortunately, it is unlikely that those in charge will realise this. The following points would be important to make Germany self-sufficient and to secure supplies for the economy:

End the war through diplomacy, not arms delivery; keep existing nuclear power plants running and reactivate those that have been shut down; review the construction of new nuclear power plants; review gas extraction and fracking in Germany. Revive coal mining; invest money in research (storage, hydrogen, etc.); develop renewables; massively develop strategic stocks; build reliable energy partnerships; end the sanctions.

Source: <https://www.friedrich-partner.de/blog-post/ein-land-im-niedergang-deindustrialisierung-schreitet-vor-vom-exportweltmeister-zu-warmehallen-und-stromausfallen>, 6 October 2022

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(Translation "Swiss Standpoint")

¹ <https://www.youtube.com/watch?v=qFBNdHZCyz8>

² <https://www.marktundmittelstand.de/zukunftsmaerkte/aluminiumindustrie-warnt-vor-de-industrialisierung-deutschlands-1303281/>

³ <https://www.youtube.com/watch?v=tZyzwClmf2Q>

⁴ <https://www.bundesbank.de/de>

⁵ <https://www.gfk.com/de/home>