

# Weidmann Says Germany May Lose Its Economic Edge Without Reforms

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Sept. 26 (Bloomberg) -- Bundesbank President Jens Weidmann said Germany faces a slow decline in its competitive position that could harm Europe unless it enacts economic reforms.

"An economic edge can be quickly lost," Weidmann said in a speech in Dusseldorf yesterday. "The demographic burden, as well as the economic catching-up by other countries, could lead to a creeping erosion of the competitiveness of the German economy. Germany is the anchor of stability in the euro area, without which efforts to stabilize the region would have no credibility."

Weidmann said there's a "particular need for action" in labor-market policy and immigration; education and infrastructure; reform of the federal fiscal transfer structure; and company taxation. Angela Merkel, who is poised for a third term as German chancellor after her Christian Democrats won the largest share of the vote in a federal election on Sept. 22, must build a coalition before a policy agenda can be completed.

"The ability to adjust and innovate must be increased to ensure sustainable state finances and the durability of the social-security system," he said. "To

mitigate the aging- induced slowing of the economy, additional drivers of growth have to be mobilized.”

## Working Population

Without additions to the German working-age population, including through immigration, as many as 1.5 million fewer people will be available to the workforce by 2020, Weidmann said.

“Such a decline would reduce annual potential growth by almost 0.3 percentage point,” he said. “By 2020 output would be almost 70 billion euros (\$95 billion) lower than without this demographic effect.”

An “important step” toward stabilizing the size of the workforce is the implementation of the shift to a retirement age of 67 from 65, Weidmann said. A systematic approach to attracting qualified workers from abroad would be an “important contribution” to damping the effects of an aging society.

“If we set the right course, these challenges can be mastered,” Weidmann said. “New macroeconomic imbalances can’t be allowed to build up, which would carry the germ of the next crisis within them.”

--Editors: Paul Gordon, Craig Stirling