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Germany’s Economy Germany’s Economy Germany’s approach to open economic policy has contributed massively to its economic recovery for a number of years since the end of World War II. The policy is plausible for its achievements in the economy based on performance indicators such as low inflation and rapid economic growth. The open economic policy approach, however, ceased to retain its economic success. The essay presents a succinct exploration of problems causing the recession in Germany’s economy, loss of monetary policy independence, a minimal rate of productivity growth and higher levels of unemployment as hindrances to economic progress. The topic is of importance as it addresses serious concerns and a significant setback to the development and economic independence of Germany.
The consistent rise in pension to the ageing population results in higher taxes affects the nation’s contribution to the European and NATO defense activities. As at 2013, Germany’s GDP reduced significantly (Federal Statistical Office, 2015). That represents an underperformance in the GDP of Germany compared to her trading partners in the EU such as Italy, France, and Spain.
German’s membership in the European Economic and Monitory Union (EMU) leaves the German Bundesbank out of control of its monetary policy. Instead, it depends on the European Central Bank (ECB) for determination of the rate of interest and money supply in setting monetary policy (Forex Market Watch, 2015). Macroeconomic policies in the EU grant the ECB bank the authority to reduce interest rates. In 2012, the ECB reduced the rates only from 5. 6% to 4. 1% this it does in the favor of nations with higher GDP growth leaving Germany, the largest economy in the EU, adversely affected.
In the 1960s, Germany’s unemployment rate was at 2. 7%, the percentage reversed suddenly in the onset of the new millennium with the rate of unemployment rising to 10. 4%, as at 2005. The unexpected increase in unemployment rate was an indication of low performance of Germany’s economy as compared to the rest of EU nations. Germany’s unemployed population often has little motivation to find jobs because of low wages. The unemployment rate is also propelled by lack of benefits to those earning average salaries (Ahearn & Belkin, 2010, p. 6).
Germany’s low productivity experienced in the 90s and early 2000s led to the collapse of its major industries (OECD, 2011, p. 22). The output per hour per employee dropped at an annual rate of 4. 7% between 1995 and 2007, and this was an acute decline compared to the previous years. The drop led to a decrease in exports of Germany, consequently, causing inflation and an economic burden. As one of Europe’s industrial giants, Germany has to play a significant role in the creation of a substantial economy in Europe and the globe. A proper evaluation of Europe and her internal economic policies will help determining its rates of interest of interest and gaining control of her monetary policies.
Germany has faced diverse economic challenges. Being the largest economy in the EU, Germany is pivotal in different ways. There evidence that Germany has experienced challenges in its efforts to recover from the 2008 global recession. The reawakening of its industries and exports, however, will significantly lead to growth in its GDP, hence eradicating unemployment. Reports by the Federal Ministry for Economic Affairs and Energy (2015) reveal commendable performance of the economy. An increment of employees’ wages and a benefit will lead to motivation resulting in higher productivity rates in her manufacturing industries and consequently a strong and stable economy.
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