# The world?s Bournemouth [1]

Written by **Jan Boucek** [2] | Friday 13 August 2010

Germany reported [3] strong GDP growth of 2.2% in the second quarter on the back of surging exports, largely of sophisticated capital goods to the booming economies of Asia and Latin America. Predictably, it came under renewed attack for not encouraging higher domestic spending by its government or consumers.

Those attacks are unfair and short-sighted. The recent financial crisis that precipitated the ?western? world?s current economic woes was entirely due to over-extended governments and consumers and Germany should be praised for thinking about tomorrow?s problems, not continuing with yesterday?s failures.

The country has spent several years enhancing its international competitiveness via labour market and tax reforms while adhering to some semblance of fiscal discipline that simply never occurred to the likes of Greece, Spain or Gordon Brown.

Most critically for Germany is a coherent long-term view. Norbert Walter, the respected and long-time Chief Economist at Deutsche Bank, pointed out on BBC Radio 4?s Today program on Friday that Germany?s population is shrinking. That means the government and consumers must be preparing for ?retirement? as the labour force gets smaller.

As with individuals, so it is with nations: approaching retirement means more saving (and hence investment) and less consumption. That?s what Germany is doing and what the rest of Europe isn?t.

As Europe becomes the Bournemouth of the world with a sharply rising percentage of its population no longer at work, the German approach must become the norm. This means gearing up the exports of goods and services in which there is a comparative advantage. Flogging off more TV?s, furniture, cars and sun tanning salons to their own people won?t suffice.

This also means channelling savings into more productive areas than housing and government services. From individuals to pension funds, investments should be aimed at growth industries and countries for a better return than the measly 2% or 3% available on a government bond or building society term deposit.

Unfortunately, much of Europe including the UK is ill-prepared for this due to its already huge debt burden that sucks up current savings to pay for yesterday?s consumption binge, not tomorrow?s retirement.

To be sure, Germany has plenty of its own problems and still needs to do more. Going on a spending spree isn?t one of them.

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