

Germany is easing austerity policy in the eurozone

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Numerous signs have been seen over the past month proving that the German government is ready to ease the radical austerity policy in the eurozone's most indebted member states, which has been pushed for since 2010. The European Commission also announced on 29 May that the deadline set for bringing down the budget deficits for seven EU member states, including Poland, to the required 3% level has been pushed back two years. This was possible because Germany had adopted a milder stance on this issue. Furthermore, Germany has taken efforts to help Spain and Portugal deal with their high unemployment rates. It was announced on 22 May that the German state-owned bank KfW would grant Portugal cheap loans with the aim of stimulating growth and creating new jobs in the country. It was announced on 28 May that the same institution would offer similar aid to Spain worth 0.8 billion euros. Furthermore, on 21 May, the German and Spanish ministries of employment struck a deal under which 5,000 Spanish employees annually would have a guarantee of work or internship in Germany.

Commentary

- Germany is under increasing pressure from other eurozone member states, such as France, Spain or Portugal, and also international institutions and the USA, which believe that the over-zealous cost-cutting strategy has caused slower growth in the eurozone. Furthermore, the significant decrease in deficit has failed to contribute strongly to improvement of the situation in any of the eurozone member states so far, except for Ireland. In effect, the German ideas for dealing with the crisis are becoming less and less popular, the image of Germany in Europe is deteriorating, and support for EU membership is falling in many countries. German politicians, such as Chancellor Angela Merkel or the Minister of Finance Wolfgang Schäuble, also fear that the high unemployment level among young people poses a threat to the entire EU project. The recent actions are aimed at improving the perception of Germany and to show its readiness for compromise.
- The campaign ahead of the elections to the Bundestag scheduled for September this year has played a great role in changing Germany's strategy. The opposition parties are criticising Chancellor Angela Merkel, claiming that the cost-cutting policy she has been pushing through has led to a significant increase in unemployment levels in Spain and Portugal, and has stifled economic growth in the eurozone. This is expected to affect the

growth rate in Germany itself, which has been proven by data showing a serious economic slowdown in Germany. The International Monetary Fund recently reduced its forecasts for the German economy development rate from 0.6% to 0.3%.

- The recent actions taken by Angela Merkel's government will not impose any major burden on the German budget, and are merely a move to improve the image of this country. Chancellor Merkel does not intend to revise her unwilling stance on the mutualisation of eurozone debts. There is consensus on this issue among the political class. Furthermore, 63% of Germans oppose this solution, believing that the most indebted eurozone member states have found themselves in crisis due to their irresponsible economic policies. Public opinion is however becoming aware of the fact that the German economy would be severely affected should the eurozone collapse.