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SIX QUESTIONS TO MARCEL FRATZSCHER

»In an international comparison,
too little is being invested
in German industry«

corrected version

1. Mr. Fratzscher, there are concerns about an overall lack of investment in Germany. Is the problem more urgent in the public sector or in the private sector?
The investment gap exists in both the public and private sector. Three years ago, we calculated that Germany's investment gap amounts to roughly 75 billion euros per year. The investment gap has also been confirmed by other studies. The problem is definitely more urgent in the private sector.
2. How large is the investment gap in the private sector?
Investment is especially weak in the individual service sectors. But investment activity is also low by international standards in the manufacturing sector, and this applies to both the investment and the capital stock. In Germany, the growth of capital stock has lost momentum, and after depreciation it is actually shrinking in many sectors. This will eventually lead to lower productivity and a weaker economic performance in Germany—and that's why private investment is such a critical issue.
3. How does this stack up in an international comparison?
Many other industrialized countries have significantly higher private investment and have seen stronger post-crisis developments in private investment than Germany has. This is all the more remarkable because Germany's economy has developed more strongly since the crisis than has France's, for example. This is cause for concern and raises the question of why private investment has developed so poorly.
4. So why has private investment developed so poorly?
Germany has structural problems in many areas and sectors. In this issue, we highlight four of these sectors: digital infrastructure, in which Germany is very weak in an international comparison; energy infrastructure, which has gained enormous importance through the energy transition; innovation, which is connected with the question of how Germany can support and promote new ideas within smaller and medium-sized companies; and startups, whose growth and innovation could be supported through venture capital.
5. The Expert Commission presented the ten-point plan "Strengthening Investment in Germany" one year ago. How are these recommendations being implemented?
Some of these policy proposals have already been implemented: firstly, the municipalities received five billion euros in additional funds, and there have also been changes in the infrastructure sector. But in both areas, not enough has been done overall. Little has changed in private investment, and here we find the largest backlog. We have realized that digital networks urgently require improvement, and the federal government has indicated that they are willing make funds available. Policy should not create a monopoly in digital networks; rather, it should facilitate competition.
6. What is to blame for the weak investment: financing conditions or the businesses themselves?
Poor or missing conditions are primarily to blame for weak corporate investment. Many companies are swimming in liquidity and would be happy to invest if the conditions were favorable. This has to do with factors such as public infrastructure and a lack of skilled labor, but also with regulatory uncertainty and tax incentives. Here we argue for a better balance between the taxation of equity and debt, for example, which would help support small and/or young companies.

Interview by Erich Wittenberg



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