THE DAILY **tribune**

TUESDAY, OCTOBER 16, 2018

QUOTE OF THE DAY

**DESIGN OUR WORLD SO THAT WE HAVE POSITIVE SOCIAL AND ENVIRONMENTAL SIDE EFFECTS.**
BJARKE INGELS

# Angela Merkel could save Europe. Why won't she?

*Germany's chancellor needs to forget about her political problems at home and focus on the continent's future*

**JULIANNE SMITH**

Campaigning in the spring of 2017, Chancellor Angela Merkel of Germany declared at a packed beer hall in Bavaria that it was time for Europe to "take its destiny into its own hands." In the face of Britain's vote to leave the European Union, Hungary's slide into illiberalism and an American president who viewed the European Union with disdain, Europe, she argued, needed a leader who could push forward reform and push back against its detractors. Merkel vowed that she was ready to be that leader.

Unfortunately, in the 18 months since, Merkel has failed to fulfil that pledge. The European Union's promise to form an "ever closer union" seems more like an empty slogan than a strategy these days. But further integration is necessary. With Europe besieged by illiberal forces inside (Hungary) and from outside (Vladimir Putin's Russia), and voters electing anti-European Union populists, leaders across the Continent need to demonstrate that they are confident about Europe's shared future. Merkel clearly understands this — but she isn't helping Europe to do anything about it.

Merkel's troubles started with the September 2017 election, when her party, the center-right Christian Democrats, and the center-left Social Democrats lost a stunningly large number of voters to the far-right Alternative for Germany. The message was clear: Enthusiasm for Merkel was waning. It then took the parties more than four months to form a government. Once a coalition was finally established in March, the hope among many pro-European policymakers was that Merkel would find her footing and return to the European agenda that she had highlighted during the campaign.

Members of her own team have made that difficult. Her interior minister, Horst Seehofer, the head of the Christian Social Union, nearly brought down the entire government last summer when he threatened to resign over Merkel's relatively open immigration policies. That crisis was averted, but Seehofer continues to contradict and challenge the chancellor. And he isn't the only one. Last month, Merkel's own party ousted Volker Kauder, one of her closest allies in the Bundestag, the lower house of Parliament. "The Merkel era is officially over," a journalist friend of mine texted me when the news broke.

But blaming domestic politics for Merkel's failure to push for further European integration misses a bigger story. Over the last year, she's delivered several lofty speeches about the need to maintain European Union unity and protect open societies. But she's said little about how those broad aims translate into actual policies.

Her actions stand in marked contrast to those of President Emmanuel Macron of France. Whereas Merkel lacks concrete ideas, Macron oozes them. Since he was elected last year, he has proposed dozens of ways to deepen European integration: the creation of a European Union finance minister, a joint military force, a eurozone budget, a European intelligence agency and a common asylum policy — to name just a few.

Merkel's response to this tsunami of ideas has been lukewarm at best. The two met in France this summer and agreed in very broad terms to begin work on a eurozone budget, something Merkel once strongly opposed. Many analysts initially described it as a breakthrough — until eight other eurozone members came forward to reject the idea. For Macron, always willing to buck conventional thinking, the opposition was no reason to slow down. For Merkel, the ultimate consensus builder, it was a major roadblock.

Merkel, who is a big fan of public polling, has also no doubt noted the rising opposition to MMacron's ideas inside Germany (and, indeed, inside France, where Macron's popularity has plummeted). Germans

ma
M
pa
To
"M
wi
se
ul
de
ma
sa
th
wa

wi
M
als

# Sharing the wealth in Austr

*What can the world learn from our economic success and shortcomings?*

**ANDREW LEIGH**

Ten years ago, when the world economy suffered its most severe slump since the Great Depression, Australia was the only advanced country to avoid a recession.

While double-digit unemployment ravaged many nations, Australia's jobless rate stayed below 6 per cent. The hit to our housing was minimal, and the impact on the Australian stock market was temporary. It took until 2013 for the United States to return to pre-Great Recession living standards, but Australia bounced back by 2010.

Today, though, this country's so-called miracle economy isn't looking so miraculous. While major economies like those of Germany and the United States have unemployment rates below 4pc, Australia's has been stuck around 5.5pc, higher than the average in the Organization for Economic Cooperation and Development, a group of mostly wealthy nations. For the typical worker, wages have barely kept up with inflation. There are signs that the economy lacks the diversity of industries and the depth of skills that will be needed in the future.

To understand these challenges, it helps to consider why the Australian economy did so well when the 2008 crash came. The financial sector held up, in large part, because banks here had few exotic securities and risky loans. Big interest-rate cuts immediately helped most mortgage holders. A pre-emptive fiscal-stimulus package of one-off cash bonuses and infrastructure spending was considered one of the most effective in the world. It also helped that Australia has a smaller manufacturing sector (an area particularly hard-hit in the crisis) and substantial exports to China (whose economy continued to demand our raw materials).

Australia is known for its policy innovation, from compulsory voting to income-contingent loans for higher education. When American policy analysts look to Australia, there's something for everyone. Many Republicans like Australia's immigration point system and government funding for religious schools. Democrats tend to be attracted to universal health care and a minimum wage of about 19 Australian dollars an hour (more than $13). Populism and partisanship are not as ferocious here as in some other advanced nations.

But now Australia needs to focus its innovative policy approach on the economy and find ways to share prosperity with workers.

As in other advanced economies, workers' share of national income has dropped in recent years. Top executives seem to be the only ones with rising pay checks; in 2017, chief executives of the largest 100 public companies enjoyed a real pay increase of 7pc. In a nation with a proud egalitarian ethos, many people are uneasy about the benefits of growth flowing disproportionately to the fortunate few in harbourside mansions and corner offices.

In principle, stagnant wages for average workers could reflect poor productivity. But that isn't true here, with productivity growing at a healthy rate. A bigger problem for employees is that they have less bargaining power.

People walk past the Australian Central Bank building in Canberra.

Just 1 in 7 Australian workers is in a union, down from half the work force in the early 1980s. Organised labour has been squeezed out of pay negotiations, leaving workers increasingly reliant on the safety net. This year, workers at Australia's largest envelope manufacturing plant pushed for an annual wage increase of 2.5pc — close to the rate of inflation. It took an eight-week strike before their employer agreed.

There are many policy options to tilt the scales back toward employees. Ending the popular practice of hiring "permanent casual" employees would provide greater certainty to workers who want to start a family or buy a home. Reversing the cut in Sunday pay rates would raise earnings for hundreds of thousands of low-paid restaurant and retail workers.

Australia also faces a challenge from the rise of China, which is Australia's leading source of tourists, foreign students and imports, and its top export market. Few nations are as enmeshed with China's economy as Australia. Trade wars hurt everyone, but they pose a special risk for countries that are smaller and less diversified: Australia's economy would suffer badly from an escalation of conflict between America, our strongest security

Hon. Chairman **Najeb Yacob Alhamer** | Editor-in-Chief **Mahmood AI Mahmood** | Deputy Editor-in-Chief **Ahdeya Ahmed** | Chairman & Managing Editor **P Unn**
**Subscription & circulation:** Tel: 38444698/17579877 | Email:subscription@newsofbahrai