



Prof. Dr. Marcel Fratzscher, President of the German Institute for Economic Research (DIW Berlin)

## SIX QUESTIONS TO MARCEL FRATZSCHER

# »Investing in Germany!«

1. Mr. Fratzscher, you've been making a case for more investment in Germany for quite some time now. Has there been any improvement in this area? **No, the situation in Germany has essentially shown no improvement. In both private and public investment, we continue to see major weaknesses. The net investment of many municipalities and many states are negative. This means that depreciation is higher than investment. For this reason, we have a decay of public infrastructure in Germany, and thus the German government is becoming more dependent on its reserves.**
2. How has the investment of federal, state, and municipal governments developed in recent years? **Here we have very different developments in various regional administrative bodies. Although the federal government has done more with public investment in recent years, it's still nowhere near enough: Even at this level we continue to see a lack of investment. But this investment gap is still more significant among the municipal governments. In Germany, more than half of investment is made by municipal governments, and here we see that a very large proportion of them are investing far too little.**
3. Can the municipal governments invest even more? **Some of the municipalities are in good shape and have been able to budget very solidly. But there are evidently many structurally weak regions and municipalities in Germany. The differences among the municipalities are huge. This means that many municipalities have, above all, a major financing problem.**
4. How large is the investment gap? **We know from the KfW Municipal Panel that there are just under 132 billion euros of cumulative investment that municipalities would have liked to have made, but were not able to—and for two very central reasons: A lack of funding, and a lack of technical capacities.**
5. How can we support municipalities so that they are able to invest effectively and economically? **In our study, we suggest various measures that can remedy the lack of investment among the municipalities. The most important measure would be financial support from the federal government: In the future, solidarity contributions should be used to help structurally weak municipalities. Our study also shows that investments by public companies that operate relatively autonomously and in a market-oriented manner comprise a successful model.**
6. Why has the federal government done less over the past few years than it ostensibly could have done? **In Germany, we have a practical division among federal, state, and local authorities, which should not be challenged on principle. But we have a problem with the distribution of financial resources. In some areas—like education, for example—the federal government should do more, but because of this division, it is not allowed to. In other areas, the federal government could do more—for example, in the case of municipal investment. Here we need to find a mechanism in which the available funds are also allocated to the areas where they are most needed.**

Interview by Erich Wittenberg



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