

Letter

Letter: Berlin's fiscal policy will survive Weidmann's exit

From Michael Heise, Chief Economist, HQ Trust, Bad Homburg, Germany



Jens Weidmann © Bloomberg

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Christian Odendahl (“A new German economic era dawns as the Bundesbank changes guard”, [Opinion](#), FT Weekend, October 23) asserts that the departure of Jens Weidmann from the helm of the Bundesbank “marks the end of an era in which Germany’s concerns about government debt and inflation dominated its economic policies at home and in Europe”.

This assessment is premature. First, any change towards less fiscal conservatism in Germany will be moderate at best. Olaf Scholz, the likely chancellor of the new government, was the main force behind prudent fiscal policy and rightly prides himself on the large fiscal space that Germany had during the pandemic. Also, the parties that are likely to form the next government have agreed to stick with the debt brake that is enshrined in the constitution. This certainly limits their spending ambitions.

Second, regarding inflation, the concerns in the German public and policy circles will not subside but can be expected to resurface powerfully, as producer prices are soaring and households are hit by significant loss in purchasing power.

The narrative of temporary inflation is becoming less convincing by the day. My presumption is that the new generation of German economists that the author alludes to, will not be at all complacent about inflation, even if they have not lived through the 1970s.

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