

No Credit for Transition: The Maastricht Treaty and German Unemployment

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Abstract

Germany is generally regarded as the nominal anchor for Europe. Its participation is the sine qua non of EMU. It has been the largest net contributor to EU finances, the leading proponent of greater economic and political union, and the leading example of the virtues of fiscal and monetary rectitude as enshrined in the Maastricht Treaty. Reunified Germany, however, combines the prosperous western state with the transitional eastern economy, and the burdens of combining the two roles; that of being an example of fiscal and monetary prudence for the EU on the one hand, and that of financing the transition of the former East Germany on the other, are leading to high unemployment, are slowing the transition process, and may become insupportable. We argue here that Germany should be viewed as part of the problem rather than its treatment.

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