

Dark Days

The implications of the Brexit vote, the decision of the German Constitutional Court on ECB bond purchases, and the refugee crisis are darkening the outlook for the German nation for generations to come. This is the view of Germany's most influential economist, Hans-Werner Sinn, who in April of this year stepped down from the presidency of the pro-free market think tank that he had headed since 1999.

His new book, *The Black June (Der Schwarze Juni)*, not only analyzes the worsening state of Germany in the European Union, but also puts forward a compact program for a new start in Europe. The key questions that Sinn tries to answer are, Is Europe about to fail? And what has to be done to save Europe?

Part of what Sinn tells us is not new. In 2014, Sinn came out with *The Euro Trap: On Bursting Bubbles, Budgets, and Beliefs* (Oxford University Press) that Harvard University economist Kenneth Rogoff praised as having “produced perhaps the most important scholarly book on the euro in at least a decade, one that should be read carefully by all sides of the debate. His aim is to provide balanced objective insights, not to offer polemic support or criticism.”

In the last two years, the situation of Germany in the European Union has become much more precarious, warns Sinn in his new book. “The southern euro

countries have been in a persistent crisis mode for nearly a decade, the ECB has been shuffling hundreds of billions of bad risks onto the shoulders of taxpayers, and the EU Commission has given up its attempts to safeguard the treaties. Germany has taken in huge quantities of refugees, and the southern countries' overdraft liabilities in the Eurosystem have risen beyond all reasonable thresholds. And then came the Black June 2016—with Brexit and a major decision by the German Constitutional Court.”

For Sinn, the month of June this year, with its devastating decisions, was a turning point. After a thorough analysis, he is convinced, “Germany cannot wait any longer but must act now.” His reform program for a new start in Europe asks for an immediate re-negotiation of the Lisbon EU Treaty. Only by reforming the EU Treaty, Sinn is convinced, “is it possible to avoid slipping into a major crisis that would no longer be manageable. Only in this way can Europeans return to more amicable relationships and safeguard their prosperity.”

Sinn, a long-time contributor to *The International Economy*, is probably busy these days adding a further epochal challenge to the European Union and the euro with Donald Trump as the new U.S. President.

—Klaus. C. Engelen



Change Reigned

“Mr. Trump was elected with history's lowest favorable ratings. In the exit polls, 38 percent of voters said they liked him, compared with 44 percent that found Mrs. Clinton favorable. Only 33 percent of voters said they found Mr. Trump honest and trustworthy, compared with 36 percent for Mrs. Clinton.

“But Mr. Trump was the candidate of change in a year when 62 percent of voters said the country is on the wrong track. These voters broke 69 percent for Mr. Trump to 25 percent for Mrs. Clinton. The desire for change was so powerful that it overcame doubts about Mr. Trump's qualifications and temperament.

—Wall Street Journal