

Reviving the Franco-German dialogue

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France and Germany are at a crossroads. Three things are now needed, Bundesbank President Joachim Nagel and Banque de France Governor François Villeroy de Galhau demand in a joint appeal.

France and Germany have maintained a productive friendship for more than 60 years. By working together and seeking compromises despite frequent initial disagreements, our two countries have moved [Europe](#) forward together. At present, however, the German-French dialogue is weakened – mainly as a result of the domestic political instability that prevails on both sides of the Rhine. This dialogue is needed now more than ever, as the threats to Europe are significantly increasing.

In addition to the long-term tasks arising from climate change, the ageing of the population and digitalisation, we are confronted with geopolitical crises and tensions. The outcome of the US presidential election may also further exacerbate these tensions; we should therefore see it as a wake-up call. Against this background, France and Germany should join forces. To divide us would be fatal for us and fatal for Europe. If, on the other hand, we speak with one voice and continue the exchange with our European neighbours, Europe can be an important player on the international stage.

As colleagues on the Governing Council, as friends and staunch supporters of the European idea, we therefore speak out today together in favour of reviving the concerted action of France and Germany. Because we can testify to how useful this cooperation has proven to be in crisis management over the past 15 years. And because we are convinced that Europe still has the means to master its economic development and strengthen growth – but only if it has the common will to do so.

On the economic level, our two countries and Europe are now at a crossroads: either Europe continues to follow the path of low growth, low productivity and low innovation, the path of the past three decades – and especially of the last few years, which the Draghi report aptly describes as a “slow but agonizing decline”. Or we can join forces to embark on an ambitious, disruptive path. There are two things to explain.

What is clear is that the economic policy of the United States will confront us with further challenges: We agree that protectionism has a detrimental effect on price stability and growth, including in the USA itself. And we also both believe that long-term interest rates could rise if fiscal policy is too loose. We hope that there will be an opportunity for exchange within the framework of the G7 and other formats. But our fate is also in our own hands: we can't change what happens on the other side of the Atlantic, but we can and must change ourselves.

From our point of view, the reports by [Mario Draghi](#) and Enrico Letta provide important clues for our path. As far as funding is concerned, we are both in favour of using the European budget for tasks that should be carried out at European level. However, this does not currently require any new debt at EU level. Instead, we should prioritise the report's many proposals for more structural reforms that do not entail costs.

How we need to evolve with a clearer focus on the urgency can be summed up in three points: deepening our single market, creating a savings and investment union, and cutting red tape to encourage innovation. Or to put it physiologically: "Size × power × speed."

Size: In terms of gross domestic product, our domestic market is on a par with the US market. However, it is fragmented, especially in the services and telecommunications sectors, which is detrimental to its appeal and dynamism. According to the IMF, a 10 percent reduction in internal barriers could generate additional growth of 7 percent.

Financial strength: The Savings and Investment Union is based on two main components: a completed Banking Union and a refocused Capital Markets Union. We need to invest and we have the resources to do so (the excess savings of the private sector amount to over €300 billion a year). In contrast to the United States, however, we still lack suitable mediation – especially through equity and venture capital.

Speed: A higher degree of innovation and less bureaucracy help us to develop further. Digitization and the energy transition are simply dependent on technological leaps. For this reason, we should move from a purely regulatory mindset to a framework for action and a culture in which innovative entrepreneurs can realize their ideas. We should follow in the footsteps of Robert Schuman, who proposed the European Coal and Steel Community in 1950: we should show courage and create a community for artificial intelligence and technology.

The Russian war of aggression against Ukraine has brutally shown us that economic integration alone is no guarantee of peace. We are strongly in favour of a more European-oriented approach to defence policy. If we understand defence as a truly European task, more joint procurement of armaments and thus also a larger common defence budget should follow. If our political and economic dialogue regains its historic quality, we can continue to contribute to strengthening and moving Europe forward in these difficult times. We both feel wholeheartedly committed to this immensely important goal.

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