Chapter 3
Financial Crisis Reveals Systemic Crisis of Official Statistics

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ABSTRACT
The financial crisis of 2008 reveals a significant distortion of the information system and a systemic crisis of the internationally agreed upon National Accounts Approach in Germany. Reports on economic growth and on political key indicators like Gross Domestic Product (GDP) failed, when in 2008 the bankruptcy of the finance system and in 2011 the end of the EURO were to be feared. Comments on the poor statistical results were expressed by the German chancellor Angela Merkel first in 2008. The investigation of the political relevance and reliability of official results reveal distortions and failures that are due to the National Accounts and its “toxically infected” database. Positivists like Popper, Carnap, and Friedman criticized for long the tautological bookkeeping approach. Schumpeter puts aggregations to planned economies. The “monetary curtain” of Mises, however, hides the “real economy” and the “bubbles” created by credit financing. Adam Smith might oppose the macro-economic theory of Paul Samuelson and John Meynard Keynes, as they do not differentiate between market production and state and bank services. GDP is a false political reference for monitoring and controlling economic stability. The enterprises, their balances, cash flow, liquidity, and equity are neglected. National assets, like natural resources and property, infrastructure, and logistics and geographical issues are inadequately covered by the present system. Data are poor on the impact of public debt and public ownership on the markets. Data bases are “toxically infected” due to “false response,” “shadow economy,” and “off-shore-hidden-money.” The framework of National Accounts needs revision to improve political relevance and reliability. Investigation is needed to estimate the bias of the database. Audited stocktakings and re-evaluations of accounts and balances are preconditions.
INTRODUCTION

In autumn 2008 German public was alarmed by the media about the nightmare of a global financial crisis that had struck banks, traders, and industries. German economy got hit by the impact of the failure of the US “Lehmann-Brothers Investment Bank” in the USA. The car industry, like General Motors and Opel, and large German retail traders like Arcandor, Quelle, and Karstadt faced dramatic falls of turnover and sales and feared insolvency. The German Government had to act immediately and took over 25% of the shares of Germany’s 2nd largest commercial bank “Commerzbank”. The “Hypo-Real-Estate-Holding” got nationalized. Critical comments on that crisis came first from dailies like Frankfurter Allgemeine Zeitung, Neue Zürcher Zeitung, Tagesspiegel, Handelsblatt.

In October, the German Government launched a historically unique EURO500-bn state aid program (German Government, 2008, Oct). The Parliament had to take legal decisions without having access to reliable and politically relevant statistical data. Official reporting was poor. Instead, up to late summer 2008 governmental officials and economic advisory committees affirmed the “recovery and upswing of Germany’s economy.” Economic research institutes indicated growth of German GDP during 2008, too. The OECD (2008), the International Monetary Fund (IMF), and the European Union affirmed those optimistic indications and forecasts (Table 1).

Without adequate information European Union governments had to provide financial support to the insolvent finance system. From October 2008 to September 2009 overall support is estimated to have reached EURO5,000 bn (Schäffler, Tofall, Altmiks, 2010; Mayer & Brown, 2009). A few years later, in autumn 2011 the European Union again had to face a gigantic crisis. This time was identified as a public debt crisis in the EURO-zone induced by Greek’s state bonds. Doing business

Table 1. Failing forecasts on GDP: growth of Germany for 2008 and 2009

<table>
<thead>
<tr>
<th>Institutes</th>
<th>Date of Forecast of Growth Rate</th>
<th>2008</th>
<th>2009</th>
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<tbody>
<tr>
<td>EU</td>
<td>Feb.2008</td>
<td>+1.6</td>
<td>+2.2</td>
</tr>
<tr>
<td>German National Bank</td>
<td>2008</td>
<td>+2.0</td>
<td>+1.9</td>
</tr>
</tbody>
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German Research Institutes

| DIW                         | Jan.2008                        | +2.1 | +1.7 |
| HWWI                        | Dec.2007                        | +1.7 | +2.0 |
| Ifo                         | Dec.2007                        | +1.8 | +1.5 |
| IWH                         | “Dec.2007”                      | +1.7 | +2.0 |
| RWI                         | Dec.2007                        | +1.7 | .    |
| OECD                        | Dec.2007                        | +2.1 | +1.5 |
| IFeW                        | March 2008                      | +1.9 | +1.2 |
