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Bachelor Thesis

Economic Comparison of Canada and Germany

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Economics Policy and Administration

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Economic Comparison of Canada and Germany

Objectives of thesis

The objective of the study is to compare the economies of two developed countries Canada and Germany. To achieve this objective theoretical part divided into two parts. The first one includes a short description of basic economic indicators. The second one includes a description of Canada and Germany, characteristics and history of their economy. In the analytical part of the thesis, the economies of Canada and Germany are compared by economic indicators and all data showed on the graphs

Methodology

The methodological basis of this thesis is an analysis of the basic economic indicators of Canada and Germany. First, to understand the definitions of key economic indicators. Second, all analytical data used from the databases, such as The World Bank, WTO, and OECD. These sources help to make a detailed comparison between the two countries. Third, based on data and graphs used SWOT analysis, which helps to evaluate the country from different sides.

The proposed extent of the thesis

40 – 60 pages

Keywords

Comparison, Canada, Germany, Analysis, SWOT
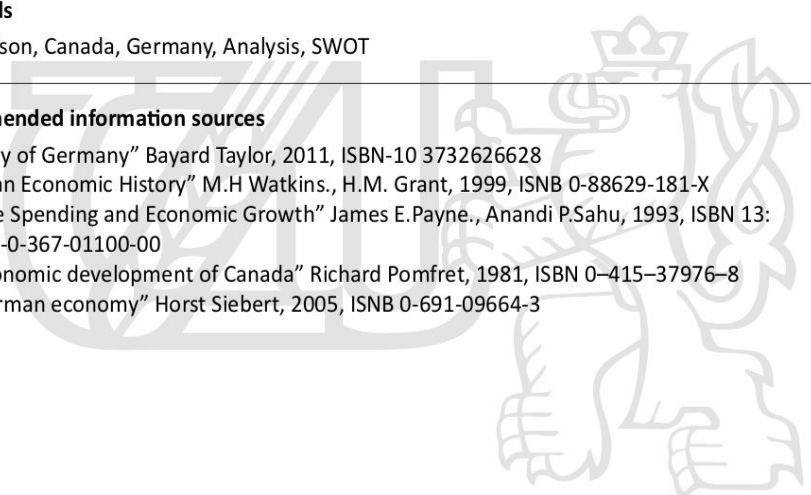
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Declaration

I declare that I have worked on my bachelor thesis titled "Economic comparison of Canada and Germany" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on 23.03.2020   _____

Acknowledgement

I would like to thank Ing. Tomáš Maier, Ph.D. for this support and advice during my work on this thesis.

Economic comparison of Canada and Germany

Summary

Bachelor thesis based on economic comparison of two different countries with different economic situation: Canada and Germany. The main objective of this thesis is analysis of the Canadian and German economic structure. Bachelor thesis consists of two parts: theoretical and practical. Theoretical part includes a brief description of Canada and Germany. Also, used basic economic indicators, which helps to analyze how the economy strong is. In practical part, Canada and Germany are compared by their macroeconomic indicators. As the final result, SWOT-analysis is made for both countries.

Keywords: Canada, Germany, economic comparison, economic indicators, SWOT-analysis

Ekonomické porovnání Kanady a Německa

Abstrakt

Bakalářská práce vychází z ekonomického porovnání dvou různých zemích s odlišnou ekonomickou situací, a to Kanady a Německa. Hlavním cílem této práce je analýza kanadské a německé ekonomické struktury. Bakalářská práce se skládá ze dvou částí: teoretické a praktické. Teoretická část obsahuje krátký popis Kanady a Německa a používá k tomu základní ekonomické ukazatele, které pomáhají analyzovat, jak je silná jejich ekonomika. V praktické části jsou Kanada a Německo porovnány prostřednictvím jejich makroekonomických ukazatelů a v konečném výsledku je pro obě země použita SWOT analýza.

Klíčová slova: Kanada, Německo, ekonomické srovnání, ekonomické ukazatele, SWOT analýza

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1 Introduction

Economics, like any other sciences, is essential for our world. Economics studies the production, distribution, and consumption of goods and services. The level of the economic situation in the country shows the strengths and weaknesses of the country. That's why this question needs to explore. This thesis based on analysis of two developed countries: Canada and Germany. Canada and Germany are the wealthiest countries with high levels of life. Germany ranked fourth by the nominal GDP, Canada tenth place. In terms of export, Germany exports a lot of goods and services for the different countries and ranks third in the world and Canada ranks eleventh, what makes these countries are perspective and successful in all areas. The population in both countries is growing each year, also immigrants from different countries like an additional labor force. People work, paying taxes, fill state reserves, thus improving the welfare of the country. All these indicators formulate a stable economic system and allow Canada and Germany to achieve a high position in the world market.

2 Objectives and Methodology

2.1 Objectives

The objective of the study is to compare the economies of two developed countries Canada and Germany. Major factors of comparison in this study are Gross Domestic Product (GDP), Gross National Product (GNP), Inflation, Employment, Unemployment, Industrial production. And also, to identify the challenges faced by both countries. To achieve this objective theoretical part divided into two parts. The first one includes a short description of basic economic indicators. The second one includes a description of Canada and Germany, characteristics and history of their economy. In the analytical part of the thesis, the economies of Canada and Germany are compared by economic indicators and all data showed on the graphs.

2.2 Methodology

The methodological basis of this thesis is an analysis of the basic economic indicators of Canada and Germany. First, to understand the definitions of key economic indicators, which include GDP, GNP, inflation, employment, unemployment, etc. Second, all analytical data used from the databases, such as The World Bank, WTO, and OECD. These sources help to make a detailed comparison between the two countries. Third, based on data and graphs used SWOT analysis, which helps to evaluate the country from different sides: S-Strengths, W-Weaknesses, O-Opportunities, T-Threats

The country's development defines the current situation in the world, and some explanations may include economic indicators such as GDP, GDP, employment, unemployment, import, and export analysis, average customer ratio, stock market prices, and changes in the money supply. On the basis of these metrics, economists will see what is going on in the country and make some decisions to change the current situation.

For my thesis, I chose basic economic indicators:

- GDP
- GNP
- Inflation
- Employment/Unemployment rates
- Trade balance (exports and imports)

In order to better understand the indicators chosen, I would like to provide a description of each of them. An economic indicator is a tool used to determine, quantify, and analyze the overall health status of the microeconomic.

The key economic indicator is the Gross Domestic Product (GDP) which measures the total value of the economy in the dollar. The value of the economy consists of four parts: consumption, investments made, net exports and government spending. All of them together offer an overall view of the economy. The change in the economy is calculated by GDP growth, which can be very significant for investors in terms of their view on the economy and the stock market. The GDP figures are published once a quarter.

GDP per capita – all goods and services generated by a country within one year. Then we can take that number and artificially divide that number by the number of people in the country.

- GDP/by number of people living in the country
- Calculates the average amount each individual generates per year
- Roughly indicates how productive a nation is
- Useful for comparing economies of different countries

Methods of calculating GDP:

- The expenditure approach: A method of calculating GDP that measures the amount spent on all final goods and services for a given period.
- The approach to income: a method of measuring GDP that calculates income-wages, taxes, interest and profits-received from all factors of output in the output of final products.
- The Output/Value added approach: In some situations, the value of the final production produced or the value added by each producer is used as a means of measuring national income.

GNP – (Gross National Product) is a metric used to calculate the economic performance of a country. The GNP is equivalent to the market value of all goods and services generated by people of a country. If the products were produced within the country or manufactured abroad.

Inflation – There is an increase in the total amount of money in the economy.

Results of inflation:

When new money enters economy

1) Prices Rise

2) Purchasing Power of Money Decreases

'Through inflating the money supply, the government has illegally taxed the people, devaluing the people's wealth to make the government wealthier. When government inflation policies get out of control, they can lead to hyperinflation, with prices rising and money gradually becoming worthless'[1].

A measure of inflation:

- "Rising prices"
- Determined by calculating the price of a common set of products intended to reflect the average "food basket" of a typical urban customer.
- Expressed as a percentage (what percent more customers pay compared to the last measure)
- Measured weekly by the Bureau of Labor Statistics (BLS)

Causes of Inflation:

- 'Growth of money supply – too much money in the economy causes inflation;
- Changes in aggregate demand – inflation may occur when demand for goods and services exceeds the exiting supply'[2].
- Change in aggregate supply – inflation can occur when producers raise prices in order to cover increased costs.;

Employment rate – Is the employment-to-population ratio – the proportion of people of working age in the population who are employed. The job rate is considered to be one of the most common and effective methods of measuring the health of a country's labor market — often used alongside the unemployment rate. A high employment rate is generally considered to have a positive impact on the GDP of a country.

Unemployment Rate – '(To assess how healthy our economy is). UR tests the percentage of the labor force of the country that actively seeks jobs. People between the ages of 18 and 65'[3].

- 4-6% is considered "Healthy"

Who isn't counted?

1. People who aren't actively looking for work;
2. Students from colleges

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[1] SHARONINA, L. *Macroeconomics.* 2018, p. 33.
[2] SHARONINA, L. *Macroeconomics.* 2018, p. 34.
[3] SHARONINA, L. *Macroeconomics.* 2018, p. 22.

Trade balance – 'the difference between imports and exports of a nation. It is a major amount in the country's balance of payments and is a story worth billions of dollars. If surpluses exist, a favorable trade balance is typically found in which exports outweigh imports. It's a very influential indicator, though. The trade deficit is a lack of preparation. As a contributing factor in the reduction of this calculation effect on the demand in this publication. A nation has a trade deficit because its imports are more than its exports'[4].

Export – this term is taken from the linguistic sense of shipping of goods and services from a portion of a country. The seller of these goods and services may be referred to as an "exporter"

Import – this word is taken from the philosophical sense of taking goods and services to a region of a world. The purchaser of these goods and services shall be referred to as an "importer"

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[4] BUDILOVSKAYA, O. *Global economy*. 2017, p. 15.

3 Theoretical basis for economic comparison

3.1 Canada. Short overview.

'Canada is a country in the north of North America. Its ten provinces and three regions stretch from the Caribbean to the Pacific and north to the Arctic Ocean, occupying 9,98 million square kilometers, making it the world's second-largest state in all. Its southern boundary with the United States spans about 8.891 kilometers and is the longest bi-national land border in the world. Ottawa is the capital of Canada, the most popular cities are Vancouver, Montreal and Toronto'[5].

The Territory of Canada is made up of ten provinces and three territories. Such sub-national divisions can be classified into regional regions. West Canada is the province of British Columbia, Alberta and Saskatchewan.

The United States of America in the South and the West is Canada's closest neighbor. In comparison, Canada shares boundaries with the Pacific Ocean in the West, the Atlantic Ocean in the East and the Arctic Sea in the North. Far East of Canada is the sovereign region of Greenland, which is part of Denmark.

The population is heavily urbanized, with more than 80 per cent of its population residing in large and medium-sized towns and 70 per cent living within 100 kilometers of the southern boundary. Canada's climate varies greatly across its vast territory, from the Arctic climate in the north to the hot summers in the southern provinces, with four distinct seasons.

'Canada has a population of 36 million inhabitants, mostly living in the 350 kilometers long belt around the US-American frontier. There are 4/5 Canadians living in cities. The north of the world is largely uninhabited. Canada is a country of refugees. The main immigrant groups are refugees from the United Kingdom, France, Germany, Italy and Ireland'[6].

'Canada is culturally complex and includes a wide variety of values and traditions. According to the 2011 National Household Survey, 67.3 per cent of the population is

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[5] SOKOV, I. *History of the observed country. Canada.* 2013, p. 55.
[6] Religions in Canada (URL: https://www12.statcan.gc.ca/nhs-enm/2011/dp-pd/)

Christian; Roman Catholics make up the biggest group, making for 38.7 per cent of the population. Protestants represent about 27 percent of the population'[7].

The official languages of Canada are English and French. More than 20% of Canadians have reported that they speak neither English nor French as their native tongue. In addition to English and French, there are other European, Asian and aboriginal languages in Canada.

There are various climatic regions in Canada. The North is marked by polar climate conditions, and the South is more temperate. Most of the world has a boreal climate with long and cold winters and warm, dry summers. The western coast (Vancouver) is characterized by a marine atmosphere with a high rainfall intensity due to the fact that the tropical air masses build up in the western mountains. The central provinces of Saskatchewan, Alberta and Manitoba also suffer from lengthy dry spells because rainfall does not penetrate these areas. There are well established seasons in Ontario and Quebec: Winters are very dry; springs are mild and summers are humid and hot.

As a whole, Canada is sparsely populated, with most of its land area dominated by forest and tundra.

Approximately 70% of Canada's land is covered by natural areas, especially tundra and mountainous regions. More than 50% of Canada's forests are still jungles. North timberlines, there is barely any fertile habitat in the middle of the tundra region. The flora of the southern tundra areas consists primarily of small shrubs and grasses. From Alaska to Newfoundland, south of the timberline, there is one of the largest coniferous forests in the world. In the East, there are mostly mixed forests, in the West there are spruces, pines and Douglas spruces, and in the Highlands, there are American and yellow pines growing

The nutritious Arctic sea of Canada has ample fodder for whales, walruses, seals or polar bears. The tundra is home to musk oxen, caribou, arctic bears, arctic foxes, polar hares and lemmings. The dense coniferous forests are home to lynx, black bears and brown bears.

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[7] Religions in Canada (URL: https://www.pewforum.org/2013/06/27/canadas-changing-religious-landscape/)

Beavers, martens and American eagles can also be seen. Canada's flora and fauna are preserved in more than 44 national parks and thousands of regional parks and nature reserves. The highest protected area is the 44,802 km^2 Wood-Buffalo-National Park in the North of Alberta and the Northwest Territories. There are many endangered species lived. Quite unique for this location is the world's largest herd of bison, which has more than 6,000 people. In partnership with the USA, 92 bird protection areas with a total area of 110,000 km^2 have been identified.

Canada is a representative democracy and a constitutional monarchy in the Westminster tradition, with a king and prime minister acting as chairman of the cabinet and head of government. The nation is a community of the Commonwealth of Nations, a member of the Francophonie and legally bilingual at the federal level. It ranks among the best in the international assessment of policy accountability, civil rights, quality of living, economic democracy and education. The nation is a community of the Commonwealth of Nations, a member of the Francophonie and legally bilingual at the federal level. It ranks among the best in the international assessment of policy accountability, civil rights, quality of living, economic democracy and education.

Canada is a parliamentarian monarchy. Queen Elizabeth II, represented by the Canadian governor-general, is the head of state of the Commonwealth of Nations. Canada is a constitutional state. Law and health policies are commonly applied so that the world can be deemed secure.

Canada is one of the wealthiest country in the world. Concerning the gross domestic product (GDP), Canada is ranked ninth. The major economic fields are retail, the oil and manufacturing industries, and agriculture.

As a developing country, Canada has the sixteenth-highest average per capita GDP in the world and the twelfth-highest ranking in the Human Development Index. The modern economy is the tenth-largest in the world, based primarily on its rich natural resources and well-developed foreign trading networks. Canada is a member of a number of large multinational and intergovernmental organizations, including the United Nations, NATO, the G7, Group Ten, the G20, the North American Free Trade Agreement and the Asia-Pacific Economic Cooperation Forum.

Canada is one of the developed countries that are net electricity exporters. Atlantic Canada has huge offshore natural gas reserves, and Alberta also has significant oil and gas wealth. The vastness of Athabasca oil sands and other resources means that Canada has a 13 per cent share of global oil reserves, the third largest share in the world after Venezuela and Saudi Arabia. Canada is also one of the largest exporters of agricultural products; the Canadian Prairies is one of the world's leading producers of wheat, canola and other grains. The Department of Natural Resources of Canada offers information on its main exports; the country is the leading exporter of zinc, uranium, gold, nickel, steel, iron ore, coking coal, lead, copper, molybdenum, cobalt and cadmium. Many towns in northern Canada, where agriculture is difficult, are sustainable due to nearby mines or timber sources. Canada also has a large manufacturing sector based on southern Ontario and Quebec, with automobiles and aeronautics representing especially significant industries.

3.1.1 The Economic history of Canada

Canada's economic history is, in large part, similar to that of the United States. Canada now has huge land, with marketable plant, animal and mineral wealth. The literature on Canada's economic history emphasizes the quest for staple products, i.e. extractive products such as animal fur, wood, grain and petroleum and natural gas. Economic historian Harold Innis was the first to adopt the basic theory of Canadian economic history.

'In the early French settlements in the St. Lawrence River Valley and Acadia (now Nova Scotia), there was a tendency to focus on subsistence agriculture. Fur trapping and trading in Quebec and fishing in Acadia generated exports in order to pay for the required imports. The trade in fur, particularly for beaver pelts, was lucrative but small. The long-lasting extractive industry in Quebec was for timber'[8].

Geopolitical developments have also culminated in the persistent loss of French influence to the British in North America. The British captured Canada and Acadia, too. The British mistrusted and rejected the French Acadians. Many of them went to Louisiana to become better known as the Cajuns. Acadian settlements were packed with people from England, and Acadia became known as Nova Scotia (New England). There was also an influx of

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[8] SOKOV, I. *History of the observed country. Canada.* 2013, p. 79.

loyalists from what had become the United States, and the province of Nova Scotia, where the refugees were staying, had broken up to become New Brunswick.

Lower Canada was the site of the Basin of the St. Lawrence River. Upper Canada is the upper reaches of the St. Lawrence River and the region north of the Great Lakes.

The modern country of Canada has been assembled from the British Colonies for a long period of time. The British North America Act created the basis of Canada in 1867. They consisted of Upper Canada (Ontario), Lower Canada (Quebec), the Maritime Provinces of Nova Scotia and New Brunswick, and the Arctic Territories controlled by the Hudson Bay Company. Around the time, Prince Edward Island and Newfoundland declined to join.

Manitoba Province was created in 1871. The settlements of Vancouver and Victoria also became the British Columbia Colony in 1871. Just as a British Columbia railroad proposed for Nova Scotia and New Brunswick, a transcontinental railroad was planned.

Subsequently, Prince Edward Island decided to join the Dominion of Canada in 1874. The Province of Newfoundland, consisting of the Island of Newfoundland and the Labrador Territory, did not join the Confederacy until 1949.

The desire to create a confederation in 1867 was partially a mistrust of the United States. In the War of 1812, the U.S. sent an invasion force to Canada, and the War with Mexico in 1846-48 did not allay the fears of U.S. expansionism. There was talk in the United States that Manifest Destiny meant not only migration to the Pacific Coast, but also control over all of North America. The British and Canadian apprehension of U.S. expansionism was expressed in the proposal that the railroad linking the confederation would take a long way to Canadian territory. The need has been fulfilled at a high expense. The Canadian Pacific Railway did not have to be built, at least in the early stages of its building. A relatively inexpensive connection between western Canada and eastern Canada could have been accomplished by linking some parts of Canada to the U.S. transcontinental railroads. Political trends and factors have also affected economic growth in Canada.

The first staple in the Canadian region, as mentioned above, was furs. The wood came next. The logs were squared for easy storage and disposal, but not cut out of sawn lumber.

By the beginning of the nineteenth century, there was a tariff on timber shipments to Britain, but Canada, as part of the British Empire, had a lower tariff than the American

timber exporters and thus benefited. The United Kingdom introduced free trade around 1850 and fully abolished the tariff. There was concern that Canadian timber exporters would lose out to non-empire producers, but that concern proved unfounded. Canada's timber exports have continued to grow.

Canada has developed a dairy and livestock market. Not only did this entail exports to Europe and the United Kingdom, but later a strong industry developed to sell feeder cattle to the United States, where feed prices were lower.

'The era of expansion from around 1900 to 1913 was not only an era of increasing western settlement, but a time of solid growth in almost every part of the Empire. It is as important for the Eastern producer and the Northern Ontario miner as it is for the Western homesteader. Canada had scope for expansion within its boundaries. A staple was exported to world markets; and, as South Cotton began the wheels of American industry and commerce in the nineteenth century, Western wheat enabled the Canadian advance to begin in the twentieth century. This was only one commodity, and there were many; but it was the cornerstone of that time of prosperity'[9].

'Canada is too far north to grow maize, but crop is growing well. In the 1890s, the growth in wheat was seen as a major staple crop for Canada. It was the result of higher wheat prices and the production of a specific variety of wheat called red fife, which was better suited to Canada's short growing season and low rainfall in the Prairie provinces. Wheat production fueled a rapid expansion of the Canadian economy that lasted until the Great Depression of the 1930's'[10].

The Regional Economic Development Policies of Canada

'Canada is a well-established, but decentralized, market economy. The industrial heartland is the province of Ontario, with Toronto being the main metropolitan hub. Quebec is not far behind Ontario in terms of economic growth, but the French distinction presents a particular problem in the political economy. The province of British Columbia is prosperous and diverse, but not closely related to the economy of Central Canada. The

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[9] WATKINS, M., GRANT, H. *Canadian Economic History*. 1999, p.13.

[10] SOKOV, I. *History of Canada*. 2013, p. 89

economies of the Alberta, Saskatchewan and Manitoba prairie provinces are solid but do not have the same economic growth potential as Ontario has seen. The Maritime Provinces of Newfoundland, New Brunswick, Nova Scotia and Prince Edward Island have been lagging behind in economic growth for decades. At best, their farming, mining and fishing industries are stagnant and at worst declining. Regional economic development policy in Canada is typically rooted in attempts to enhance the quality of life in the maritime provinces. In addition to the troubled provinces, there are problem areas in other regions, such as the Gaspé Peninsula in Quebec City'[11].

'The economic history of Canada has been influenced by the difference between the middle and the outskirts of western society. Energy is geared towards the production of staples and growth has been cumulative. The raw material supplied to the mother country was used for the manufacture of the finished product as well as for goods on demand in the colony. Large-scale processing of raw materials has been made possible by improved manufacturing, marketing and transport processes and improved processing of the finished product'[12].

3.2 Germany. Short overview.

Germany - is a member in Central and Western Europe. It borders Denmark in the north, Poland and the Czech Republic in the east, Austria and Switzerland in the south, France in the southwest and Luxembourg, Belgium and the Netherlands in the west.

Germany is made up of 16 Member States, occupies an area of 357,386 square kilometers and has a largely temperate seasonal climate. With 83 million people, it is the second most populated country in Europe after Russia, the most populous country in Africa as well as the most populous Member State of the European Union. Germany is a highly decentralized organization. Berlin is the capital and the largest metropolis, while Frankfurt is the financial hub and the busiest airport in the world. Following the Second World War, Germany was divided into the Democratic West and the Communist East (German Democratic Republic). The Berlin Wall became the symbol of this division. This collapsed in 1989 and Germany was reunited a year later. German is the most widely spoken first

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[11] Economic History of Canada (URL: (http://applet-magic.com/canada.htm) (21.03.2017)
[12] WATKINS, M., GRANT, H. *Canadian Economic History*. 1999, p.19.

language in the European Union. Germany is the third largest economy in the world, producing automobiles, precision engineering products, electronics and communications equipment, chemicals and pharmaceuticals, and much more.

'It is enterprises have also invested heavily in the central and eastern European countries that joined the EU in 2004. Germany is the second largest producer of hops in the world and the country is renowned for its high-quality beers. Wine is made in the Moselle and Rhine valleys'[13].

Germany is surrounded by Denmark at its extreme north on the Jutland Peninsula. The eastern and western coasts of the peninsula, the Baltic Sea and the North Sea form the northern boundary. Germany borders the Netherlands, Belgium and Luxembourg to the west; France borders the southwest. Germany shares its southern border with Switzerland and Austria. In the south-east, the frontier with the Czech Republic refers to the earlier boundary of 1918, restored by the Treaty in 1945.

'The eastern boundary borders Poland along the Neisse River to the north, followed by the Oder River to the Baltic Sea, with a northerly descent to the west, except the former German port city of Stettin (now Szczecin, Poland) and the Oder mouth. This border represents the loss of the eastern territories of Germany to Poland, decided at the Yalta Conference (February 1945), approved at the Potsdam Conference (July–August 1945) between the victorious Allies of the Second World War, and reaffirmed by subsequent governments'[14].

The German-speaking peoples — including the populations of Germany, Austria, Liechtenstein, and much of Switzerland and Luxembourg; the small parts of France, Belgium, the Netherlands, and Italy; and the remnants of the German communities in Eastern Europe — are highly heterogeneous in their ethnic backgrounds, their dialectal divisions, and their political and cultural heritage.

'The dialectal divisions of Germany, once of conspicuous significance for the ethnic and cultural differences that they reflect, continue despite the lowering and standardization of factors such as mass schooling and communication, and despite internal migration and the

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[13] Information about Germany (URL: https://www.eubusiness.com/europe/germany)

[14] Information about Germany (URL: https://www.britannica.com/place/Germany)

tendency among the younger, better-educated and more mobile strata of society to speak a normal, accent-free German. The archive of dialectal variations now rests mostly with the rural population and the long-standing native inhabitants of the towns'[15].

Economy

Germany is now a federal democratic republic ruled by a chancellor. This is a great power with a solid currency; it has the fourth largest economy in the world by nominal GDP, and the fifth largest by PPP. As a global leader in a wide variety of manufacturing and technological sectors, it is the world's third largest exporter and importer of products. As a highly developed nation with a relatively high standard of living, it offers social security and universal health care, environmental protection and free higher education. The Federal Republic of Germany was a founding member of the European Economic Community in 1957 and the European Union in 1993. Germany is part of the Schengen region and was a co-founder of the euro area in 1999. Germany is also a member of the United Nations, NATO, the G7, the G20 and the OECD. Known for its long and rich tradition of culture, Germany has always been home to influential people in the arts, sciences and humanities. Germany has many World Heritage sites and is one of the largest tourist destinations in the world. Germany is an open economy with a large manufacturing base, exporting about one third of its domestic output for export. It is also an economy in which social security and the state play a dominant position.

'Germany is affected both by the intense rivalry on world commodity markets and by the rivalry between international mobile capital and development locations across the world's factor markets. Economic decisions in Germany are therefore subject to the need for a nation to succeed in the world economy. After the end of the Second World War, this has been a basic economic norm for Germany. Transparency means that broad, free markets for goods have prevailed. The exceptions are controls in particular areas and subsidies to industries such as coal mining and agriculture'[16].

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[15] Information about Germany (URL: https://www.britannica.com/place/Germany/Demographic-trends)
[16] SIEBERT, H. *The German Economy.* 2005, p.77.

3.2.1 Economic History of Germany.

'Germany's history is not the history of a country, but of a race. It has a little cohesion, therefore: it is complex, fractured, and connected on all sides to the past of other countries. It encompasses much of Europe in its earlier times and does not return solely to Germany until after the establishment of France, Spain, England and the Italian State. Thus, even before the collapse of the Roman Empire, it became the main trunk from of which the history of almost all European nations had branched from, and must necessarily be examined as a link between ancient and modern history. The history of no other race will shed such light on the creation of all civilized lands for a period of fifteen hundred years'[17].

The Industrial Revolution of Germany

'The Industrial Revolution began about a century later in Germany than in Britain. Germany did not exist as a political party until the early 19th century. The Zollverein (Toll Union) was first established in 1833, which, by abolishing tolls between the different German principalities, made Germany a single market. For decades, until about 1860, attempts were made in Germany to imitate the industrialization that had taken place elsewhere in Europe. The imitation was only moderately successful. In 1870, a modern German nation was founded, and then major factories were developed, leading to the complete industrialization of Germany'[18].

'Napoleon has integrated the southern side of the Rhine Valley of Germany into France. At the moment, given its economic shortcomings with respect to England and Belgium, France was a little more advanced than Germany. This time of forced integration with France has triggered economic change in the Rhine Valley. In 1815, this region became independent from France but retained some of the economic and institutional reforms of the Napoleonic era. Serfdom and the guilds have been abolished. Other remnants of feudalism ended which limited trade and industry'[19].

In 1818 Prussia started the idea of a common market and in 1833 the Zollverein was expanded to the larger states of Germany, while Austria was excluded by the Prussian plan.

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[17] BAYART, T. *Economic History of Germany*. 2011, p.67.
[18] MORUA, A. *History of Germany*. 2017, p. 79.
[19] BORCHART, I. *Economic history of Germany*. 2013, p. 23.

As part of the promotion of the German state governments, the rail network for Germany grew rapidly. The rail network has boosted demand for steel and coal. The coal fields in the Ruhr Valley have been fully grown and have made Germany the largest producer of coal in Europe. The steel industry also flourished and the stimulation of the production of coal and steel increased the banking and capital markets open to Germany. This enabled other industries, such as the chemical and electrical industries, to grow in the latter part of the nineteenth century. The German chemical industry has been the most developed in the world.

Post World War II Collapse and Recovery.

In the American, British and French areas, the Occupying Authorities also enforced the economic policies of the Nazis. There have been price caps, rent controls, wage limits and general economic regulation. The net result was the economic downturn and the growth of near-famous conditions. The loosening of restrictions has posed the question of the past excessive expansion of the money supply. Inflation was suppressed by price controls during the Nazi years. Inflation came with the abolition of price controls.

1948-1960 Spontaneous Growth: The Miracle Economy

About 18 months of restructuring followed the political, economic and structural changes of June 1948, with prices stable to slightly decreasing. Industrial production grew by 24 per cent in 1949 and by 12 per cent in the first half of 1950. Over the century, the average annual growth rate was 15% per year. The perception of work growth has been mixed. Labor requirements reflect not only the level of demand, but also the level of labor productivity. Labor productivity increased considerably during the recovery process. In 1948, 600,000 new jobs were generated, but 370,000 old jobs were lost for a new gain of 230,000. Yet in 1949, there were just 260,000 new jobs and a loss of 410,000 old jobs, resulting in a net loss of 150,000 jobs. At the height of this mixed image of job growth there was an influx of 9 million refugees (expelled and immigrant). The biggest issue was the lack of resources. Not only was there the question of the war devastation of capital, but the reparation confiscation of capital assets drained the capital stock and made businessmen reluctant to invest because of the risk that their investments would be confiscated in the future.

4 Key macroeconomic indicators and macroeconomics sustainability
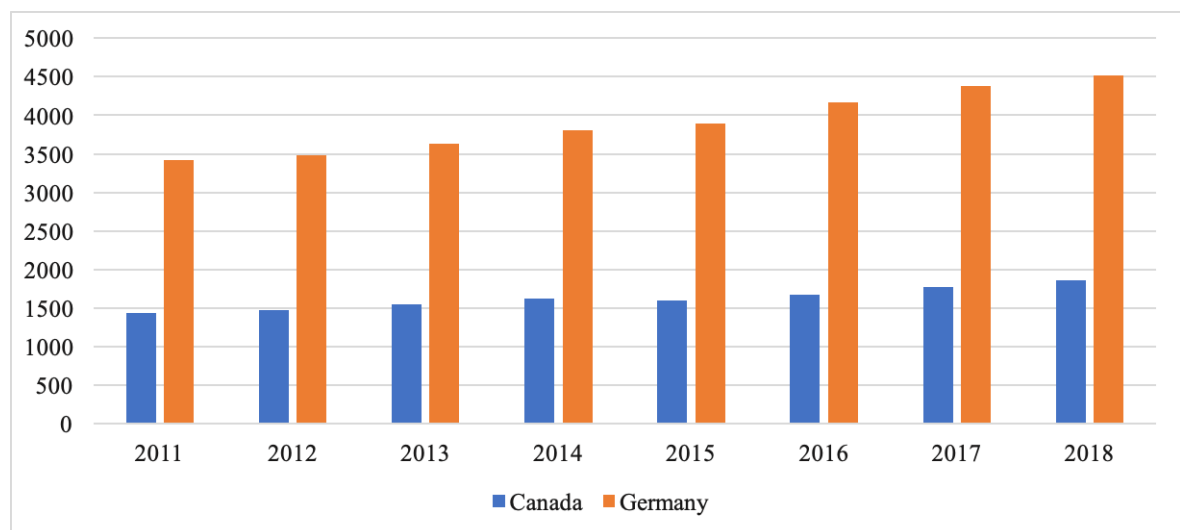
4.1 Domestic product

I would like to start with GDP, as a basic indicator of economic comparison.

As you can see in Figure 1, the GDP of Canada changed quite a bit from 2011 till 2018, but the GDP of Germany was increasing each year, but a little bit. As you can see in Figure 1, the GDP of Canada changed quite a bit from 2011 till 2018, but the GDP of Germany was increasing each year, but a little bit.

Canada has a high quality of life. Outcomes for health status, education and skills, social connections, environmental quality, personal security and self-assessed measures of well-being are all much above average. However, this does not mean that all Canadians experience high well-being.

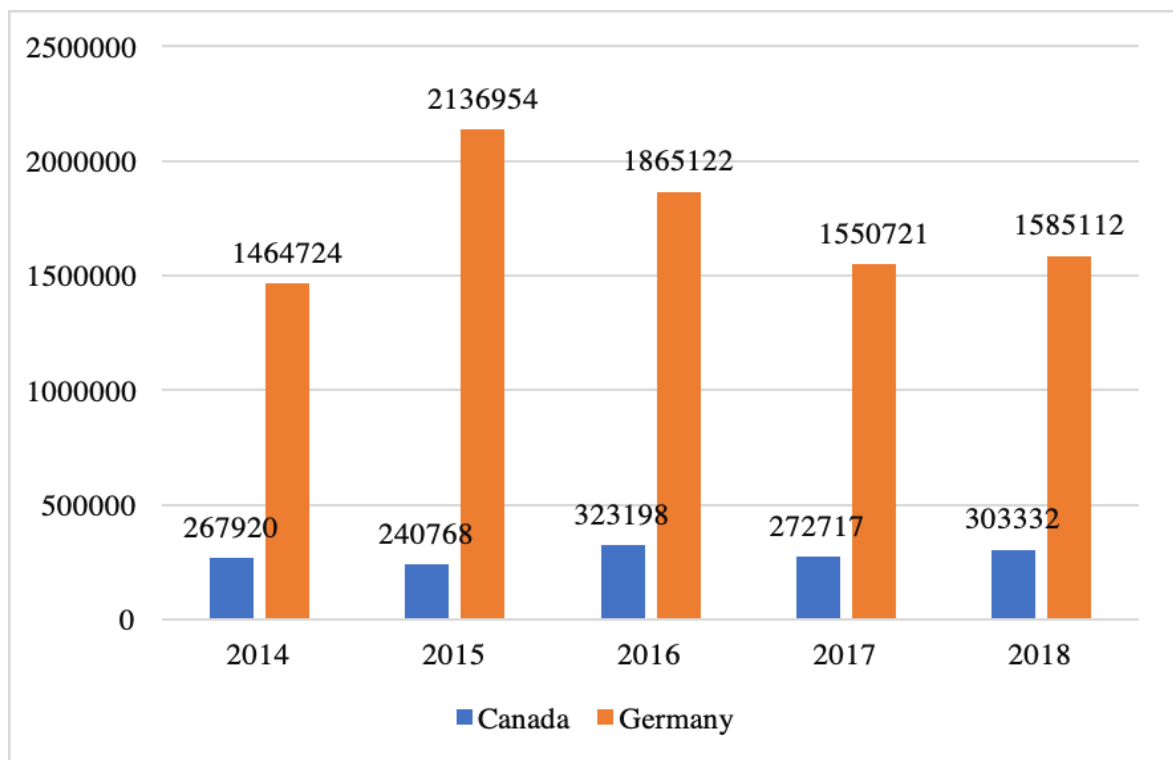**Figure 1: GDP of Canada and Germany, 2011-2018 in billion US dollars**

Source: OECD

4.2 How the GDP increase is influenced by number of population?

Nowadays, countries with a high population have long-term economic advantages. People--an important part of economic growth. However, the essential part of the population - it's migration. Richest countries don't have a big population. Because migration it's a

complicated process. Migration increases the number of people in rich countries, and the best way to ensure a better future for states is to make a process of migration easier. Figure 2 represents the situation with migration in Canada and Germany in 2014-2018 years. In Germany, the number of migrants in the 2015 year was 2136954 people, that almost ten times more than in Canada. It happened, because of the War in Syria in 2015, a lot of people have to leave the country. And also in this number of migrants include people from Afghanistan, Iraq, Serbia, Albania.

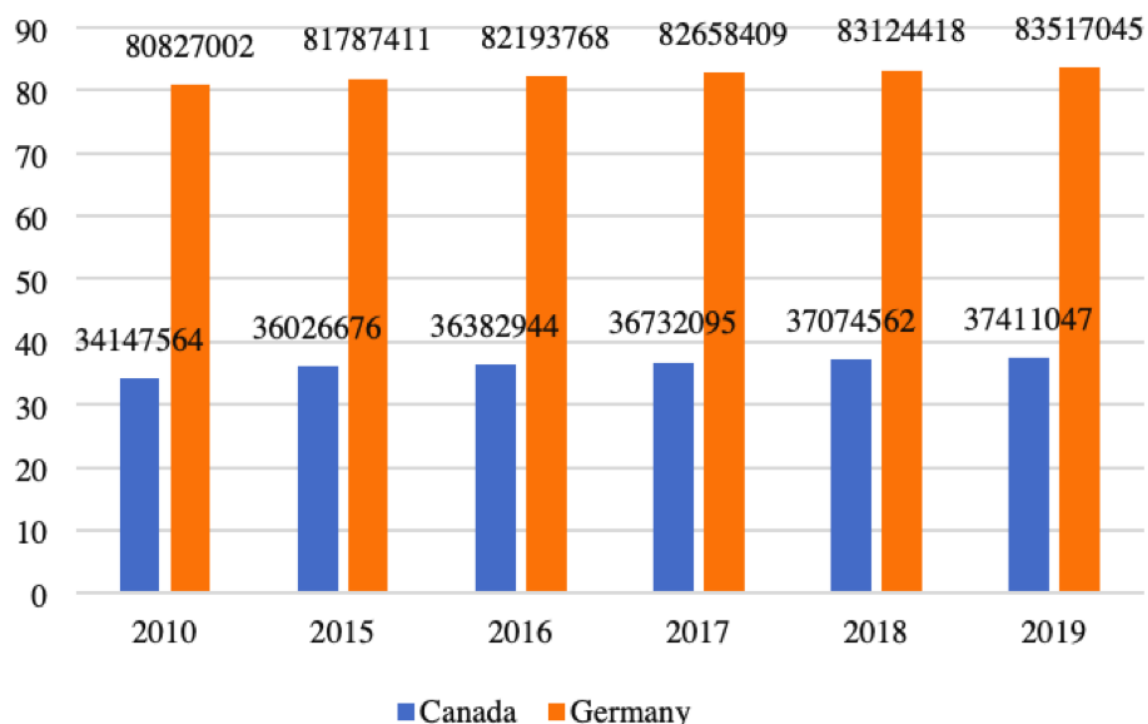**Figure 2: Migration in Canada and Germany for 2014-2018 years**

Source: STATISTA.COM

One of the important indicators for counting future perspectives is fertility (Figure 3): new people - a new labor force. The more people there are, the more stable the economy is. All people are part of the economic mechanism, all of them buying goods and services, work, paying taxes. That's why states need to create conditions to increase of population inside the country. Germany ranked nineteenth and Canadian thirty-ninth. Compare Figure 2 and 3, we can see, that population in Germany almost two times more, than in Canada. And the same with migration. Despite the fact, that Canada have a huge territory, conditions for migration, high salaries, quality education, but for many countries, Canada is so far away,

for example, for Iraq and Afghanistan. These counties prefer to migrate to Europe or nearby counties, where they also will have a high standard of live. But population in both countries still growing, but very slow.

Figure 3: Population in Canada and Germany for 2010-2019 years (in millions)

Source: STATISTA.COM

Table 1: Dependency GDP of population for Canada for 2015-2018 years (in million US dollars)

Year	Population	GDP	GPD per capita
2015	36026676	1553000000000	43107
2016	36382944	1527000000000	41970
2017	36732095	1647000000000	44838
2018	37074562	1713000000000	46204

Source: World Bank Data

Table 2: Dependency GDP of population for Germany for years 2015-2018 years (in million US dollars)

Year	Population	GDP	GPD per capita
2015	81787411	3361000000000	41094
2016	82193768	3467000000000	42181
2017	82658409	3657000000000	44242
2018	83124418	3948000000000	47495

Source: World Bank Data

GDP per capita=GDP/population

The demographic development of the world has a significant impact. The qualification of the labor force, population migration, it's socio-economic consequences - all this as a measure requires the development of the modern world and its economy. The population growth is not the same in various subsystems of the world economy. These ideas are usually related to the populations of individual countries and regions. It gives impetus to economists to analyze the relationship between population growth and economic development.

Table 1 and 2 represents dependency GDP and population, more people, more GDP, more GDP per capita. Especially in developed countries, such as Canada and Germany, population growing is part of strong economic mechanism.
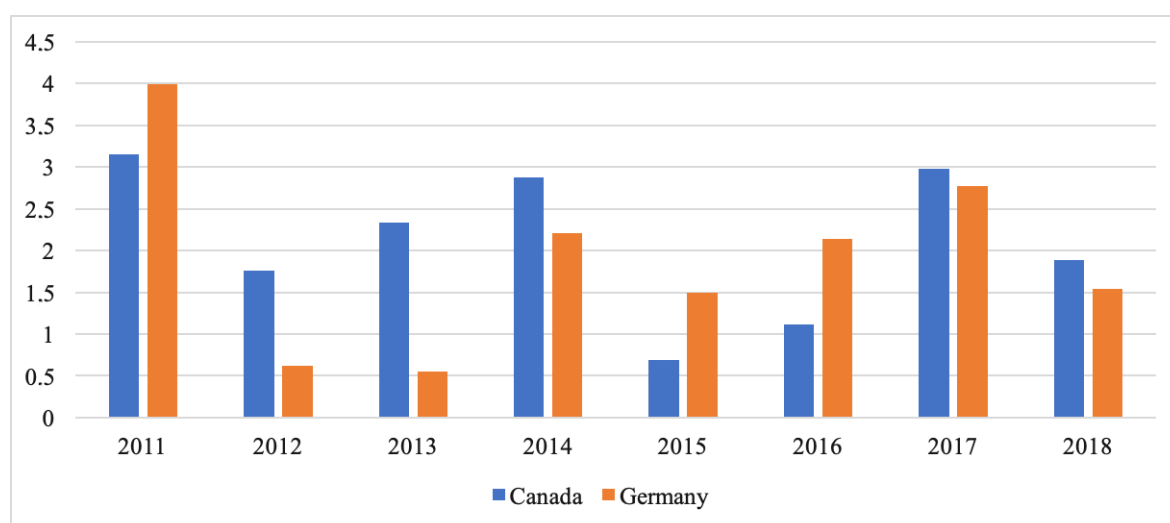
From Figure 4 we can see that the situation is unstable, from one side Canada had a higher growth rate during the 2011 year, but then it started to decrease, and Germany had better results during 3 years, from 2012-2014. 'And from 2015 it started to change. In Canada in 2011, the main contributions to GDP growth came from household expenditures, followed by inventory investment, government expenditure and business investment. Growth in household expenditures (i.e. private consumption) continued to increase its pace, up to 3.5 percent in 2017 after 2.4-percent growth in 2016. This was due to higher spending on both goods and services, but particularly on durable goods. Growth in spending on services accelerated from 2.2 percent in 2016 to 3.2 percent in 2017. As a result, private consumption of goods and services contributed about equally to the 1.97-percentage point

boost that household expenditures gave to GDP growth. This contribution was dominant, accounting for about two-thirds of the total GDP growth'[20].

Economic growth in Canada has recently eased towards more sustainable rates as capacity constraints tighten. Growth has returned to a more sustainable pace following strong increases until mid-2017 (Figure 4). Private consumption, which was the major driver in 2017, slowed late in the year with the removal of some monetary policy stimulus and smaller wealth gains from house price gains. The GDP share of residential investment in the OECD's largest, but is far below the pre-crisis peaks in different countries.

'Economic growth in Germany has been robust. Germany's recovery from the global financial and economic crisis has been stronger than in Canada. Past structural reforms have increased the resilience of the German economy. Germany has benefited from its status as a safe heaven, which results in capital inflows'[21].

Figure 4: Economic growth rates (%) for Canada and Germany, 2011-2018

Source: OECD

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[20] Canada's state of Trade. (URL: https://www.international.gc.ca/economist-economiste/assets/pdfs/SoT_report_Eng_11-08-18.pdf.) (p.60)

[21] GDP in Germany. (URL: https://read.oecd-ilibrary.org/economics/oecd-economic-surveys-germany-2018_eco_surveys-deu-2018-en#) (p.26)

Growth is expected to remain sluggish in the long term as Canada's and Germany's future growth slows. The situation on the labor market and goods, the slow allocation of capital and new technology are restricting the overall increase in productivity of production factors.

Figure 5 represents how growing GDP per capita, the situation for both of the countries is good. Canada and Germany have high standards of life. But Germany shows better results than Canada.

The data presented in the figure 6 shows the situation with outputs from different industries for Canada and Germany.

1) Industry, including energy. It's one of the biggest part from GDP for both countries. For Canada, it's approximately 20%, for Germany 25%. Due to its abundance of oil and natural gas, Canada has quickly become a world leader in energy resources. Canada not only has the third largest oil reserve in the world, it's also a world leader in hydroelectric power with Quebec, Ontario, and Saskatchewan all using vast amounts of hydroelectric energy.
Because of the abundant energy resources available, Canada's oil exporting and other energy related products make up for 2.9% of the country's GDP. Additionally, Canada has adopted solar and wind energy production as the next major industry in the energy sector ensuring continued prosperity. Germany has a high productivity is the **electrical equipment industry**, including electrical machine manufacture as well as electronic components.
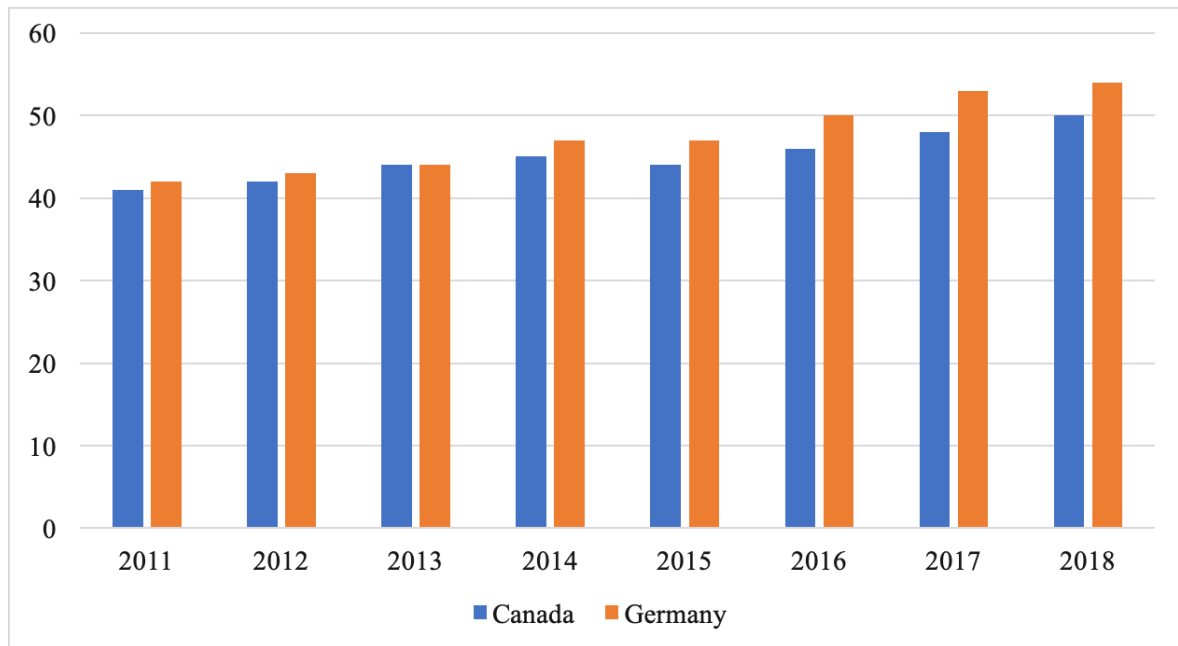
2) Public admin., defense, education, health, social work. For Canada, it's 19%, for Germany 18%. This includes: Health care and Social assistance, Health Care services. Support to defense of the countries. Education in Canada and Germany is very high quality and needs financial support from state.

3) Trade, repairs, transport, accomm., food services. In Canada, it's 17%, in Ger--many approximately 15%. It includes: Repairs and service coverage, transport services for huge number of people, food and accommodation for tourists because it's very popular countries for tourism.

4) Real estate. In Canada, it's 11% in average, for Germany it's 11%. It's a very high demand in both countries.

5) Professional, scientific, support services. For Canada, it's 7.7% and 11.2 % for Germany. Science for both counties aims to obtain new information about new substances and technologies.

Figure 5: GDP per capita for Canada and Germany, 2011-2018 in thousand US dollars

Source: World Bank data

6) Professional, scientific, support services. For Canada, it's 7.7% and 11.2 % for Germany. Science for both counties aims to obtain new information about new substances and technologies.
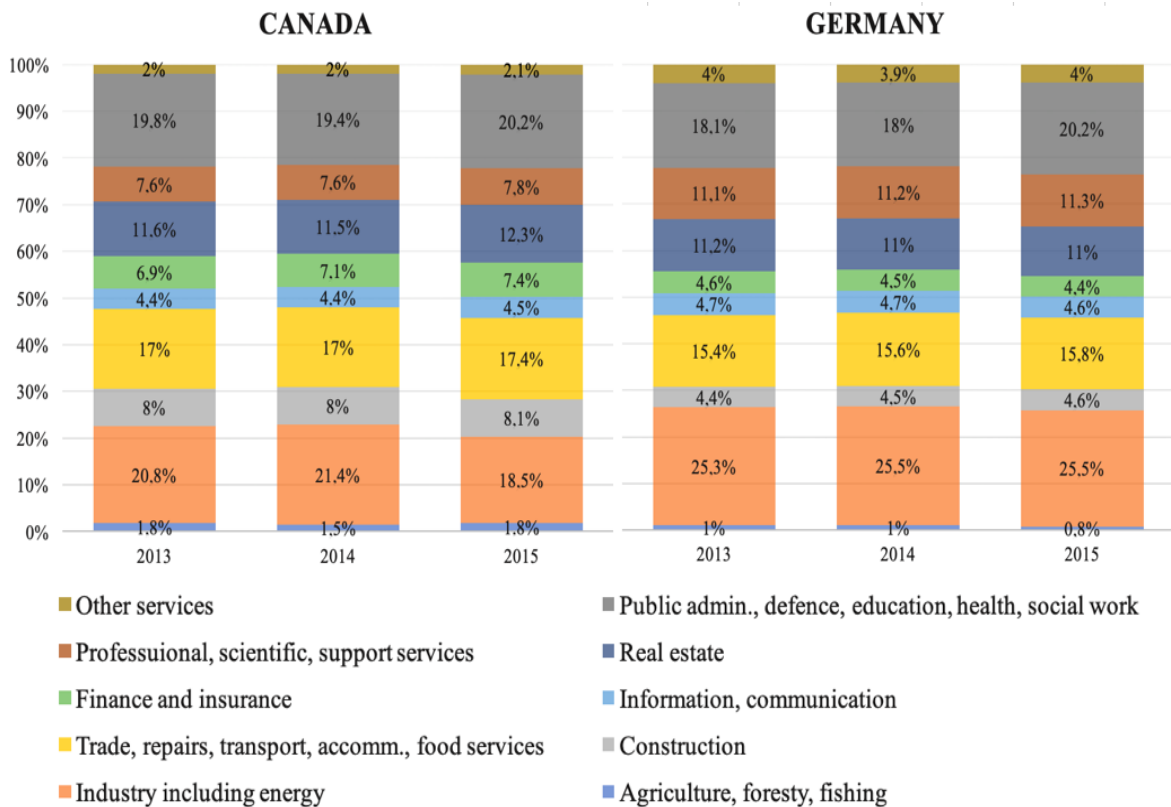
7) Finance and insurance. In Canada, it's approximately 7% of total GDP and for Germany it's 4.5%. Both countries have a good condition in banks, low rate of loan, which helps to involve more people for financing. Insurance is expensive, but you will get a full medical help with a high-quality in case of any accident.

8) Other industries are important, but no too much as industries above. For con--struction Canada have 8%, Germany 4.5%. Canada have only 4.5% in information and communication, while Germany have the same 4.5%. For agriculture, forestry and fishing it's only 1% for each of the countries.

9) Finance and insurance. In Canada, it's approximately 7% of total GDP and for

Germany it's 4.5%. Both countries have a good condition in banks, low rate of loan, which helps to involve more people for financing. Insurance is expensive, but you will get a full medical help with a high-quality in case of any accident.

Figure 6: Canada and Germany GDP, Output approach structure by industries (% from total GDP) in years 2013-2015 in million US dollars
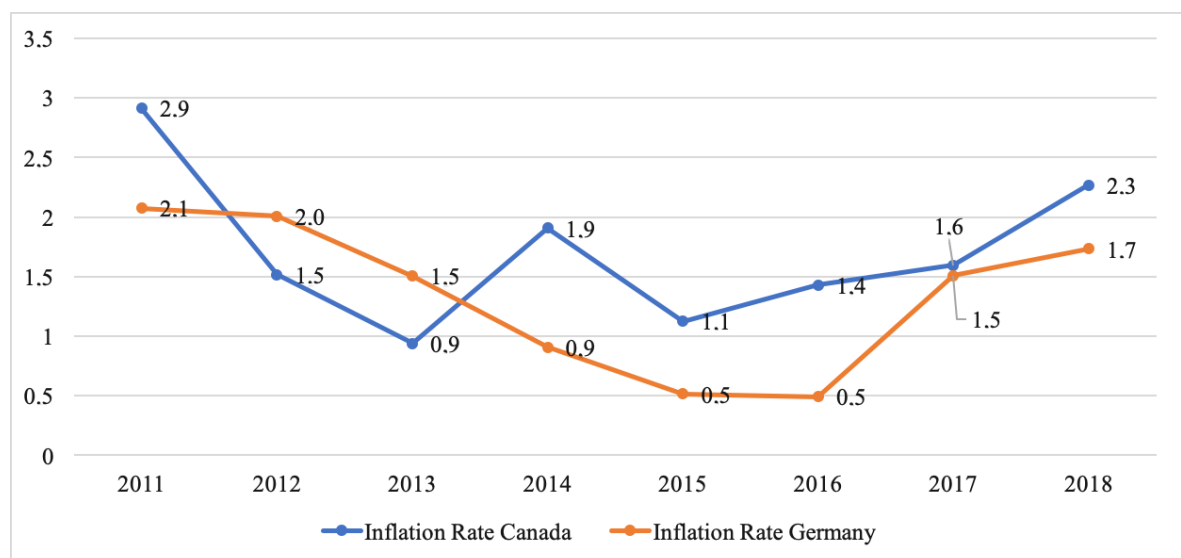
10) Other industries are important, but no too much as industries above. For con--struction Canada have 8%, Germany 4.5%. Canada have only 4.5% in information and communication, while Germany have the same 4.5%. For agriculture, forestry and fishing it's only 1% for each of the countries.

4.3   Inflation

In Canada with inflation stable (Figure 7), the economy is now operating close to its capacity. 'The resource sector continues to benefit from a progressive upturn in commodity prices, and the existing federal stimulus is expected to be supplemented by additional fiscal expansion in the provinces of Ontario and Quebec.[22] Inflation in Canada was not stable from 2011 till 2015. From 2015 inflation started to grow, from 1.1% to 1.4% in 2016, then to 1.6% in 2017 and in 2018 it was 2.3%. Thus, the CPI and the core inflation rate are well within the target area of the Bank of Canada monetary policy, with monetary support from the Bank continuing at high levels. Increases in core inflation measures are expected in the future due in part to recent minimum wage increases'[23].

Figure 7: Inflation rate (CPI) total, Annual growth rate (%) in Canada and Germany in years 2011-2018

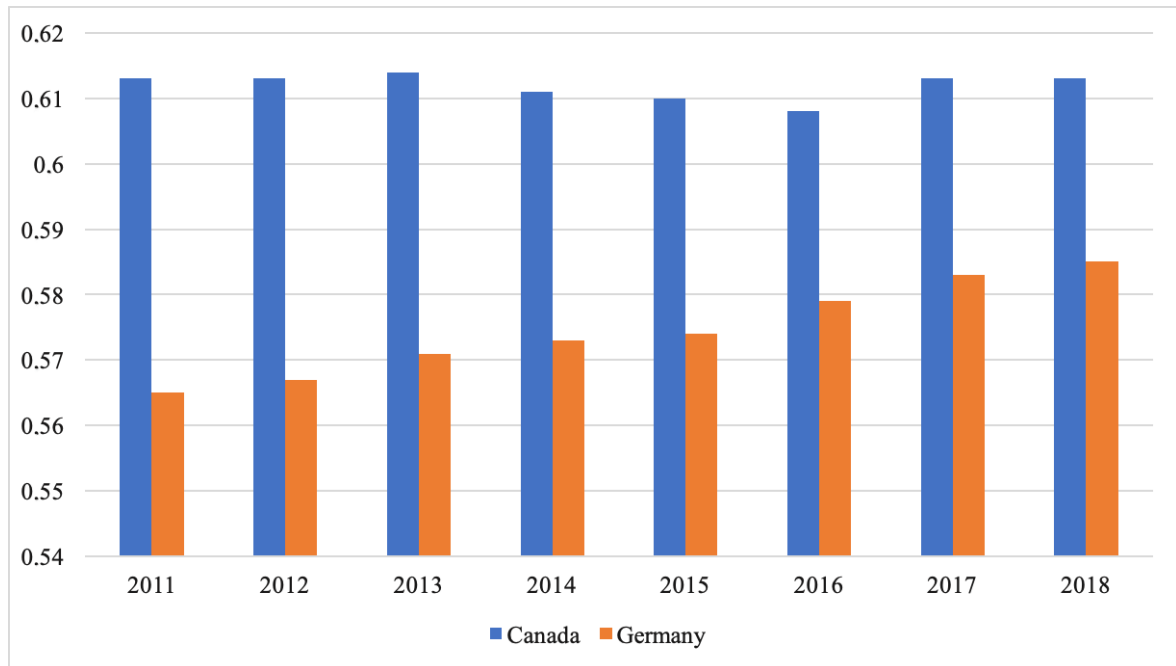*Source:* OECD, World Bank data

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[22] Canada's state of Trade. (URL: https://www.international.gc.ca/economist-economiste/assets/pdfs/SoT_report_Eng_11-08-18.pdf.) (p.9.)

[23] Canada's state of Trade. (URL: https://www.international.gc.ca/economist-economiste/assets/pdfs/SoT_report_Eng_11-08-18.pdf.) (p.66.)

4.4 Employment, Unemployment and Labor force

4.4.1 Employment

Figure 8: Employment to population ratio, 15+, total (%) for Canada and Germany for years 2011-2018
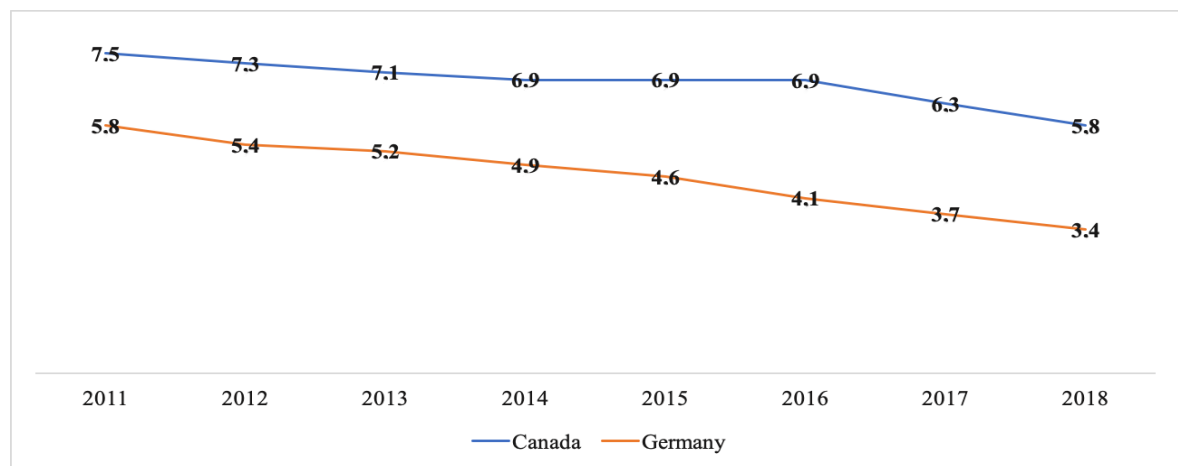

Source: World Bank data

As we can see, in Canada the employment ratio is higher than in Germany almost 2-3 times from 2011-2015. The dynamics for both countries is positive. But in Germany employment ratio increased from 2011-2018, because of new opened working places and also, some people don't want to work, because they have unemployment benefits from the government. We can consider that people in Germany more interested in work, than people from Canada.

Figure 9 shows an unemployment rate for both counties decreased from 2011 to 2018. Difference between their indicators approximately 2%. Which is quite good, it means, that situation with the labor force better with each year. It means that people can find a job with a high payment. Canada's economy added nearly 340,000 new jobs in 2017, bringing the labor market close to the equilibrium and reducing unemployment from 6.9 percent to 5.8 percent at year-end. In Germany, was slow decreasing in unemployment rate from 2011-

2018 this may be due to migration from different countries, Germany added more working places.

4.4.2 Unemployment

Figure 9: Unemployment rate, total %, for Canada and Germany for years 2011-2018
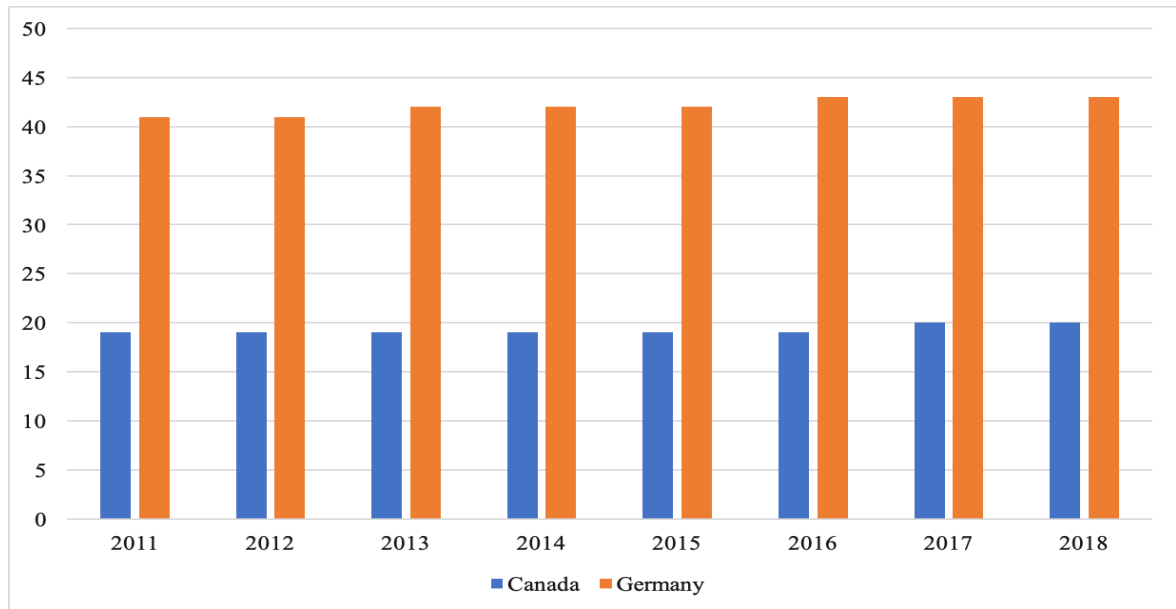

Source: OECD

As we can see from Figure 10, Labor force in Germany is higher than in Canada almost twice. It explained that in Germany most new jobs are full permanent contracts, which is welcome, as non-regular forms of employment are typically less productive and raise in-work poverty risks. 'Expanding labor supply has fed most of the employment gains, notably immigration. The professional services provide high value-added activity and highly paid jobs, while health and support services many low value-added and low-paid jobs, for example, in long-term care, cleaning, security'[24]. On figure 10 we can see that the Labor force in Germany is 2 times higher than in Canada, during the period from 2011 till 2018.

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[24] Labor force in Germany. (URL: https://read.oecd-ilibrary.org/economics/oecd-economic-surveys-germany-2018_eco_surveys-deu-2018-en#) (p.48.)

4.4.3 Labor force

Figure 10: Labor force (total) million US dollars in Canada and Germany for years 2011-2018

Source: World Bank data
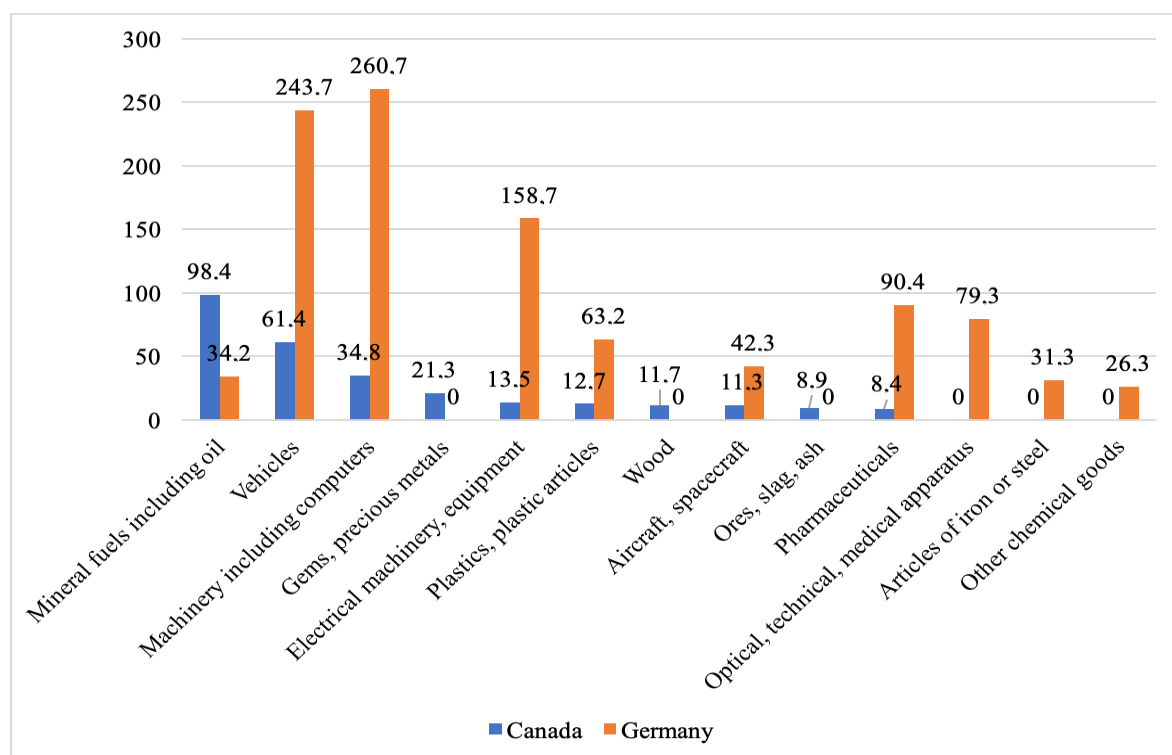
4.5 International trade

4.5.1 Export

91.6% of products exported from Canada were bought by importers in: United States (75.4% of the global total), China (3.9%), United Kingdom (3.3%), Japan (2.1%), Mexico (1.2%), Germany (1.1%), South Korea (0.9%), Netherlands (0.9%), India (0.8%). From a continental perspective, 76.7% of Canada exports by value were delivered to North American countries while 11.7% were sold to Asian importers. Canada shipped another 8.9% worth of goods to Europe. Smaller percentages went to Latin America excluding Mexico but including the Caribbean (1.3%), Africa (0.9%) then Australia (0.5%) Given Canada's population of 37.5 million people, its total $446.5 billion in 2019 exports translates to roughly $11,900 for every resident. 'Figure 11 represents export product groups categorize the highest dollar value in Canadian global shipments during 2019. Also shown is the percentage share each export category represents in terms of overall exports

from Canada'[25].Europe's most powerful economy, the Federal Republic of Germany shipped US$1.486 trillion worth of goods around the globe in 2019. The weaker EU currency in 2019 made Germany's exports paid for in stronger US dollars relatively less expensive for international buyers compared to 2018. 65.7% of products exported from Germany were bought by importers in: The United States (8.9% of the global total), France (8%), China (7.2%), Netherlands (6.3%), United Kingdom (5.9%), Italy (5.1%), Poland (5%).

From a continental perspective, about two-thirds (65.6%) of Germany's exports by value were delivered to fellow European countries while 18.1% were sold to importers in Asia. Germany shipped another 10.8% worth of goods to North America. Given Germany's population of 83 million people, its total $1.486 trillion in 2019 exports translates to roughly $17,900 for every resident in the European economic hub. 'Figure 11 represents export in German global shipments during 2019. Also shown is the percentage of goods and services overall exports from Germany'[26].

Figure 11: Export of goods and services (billion US dollars) for 2019 year
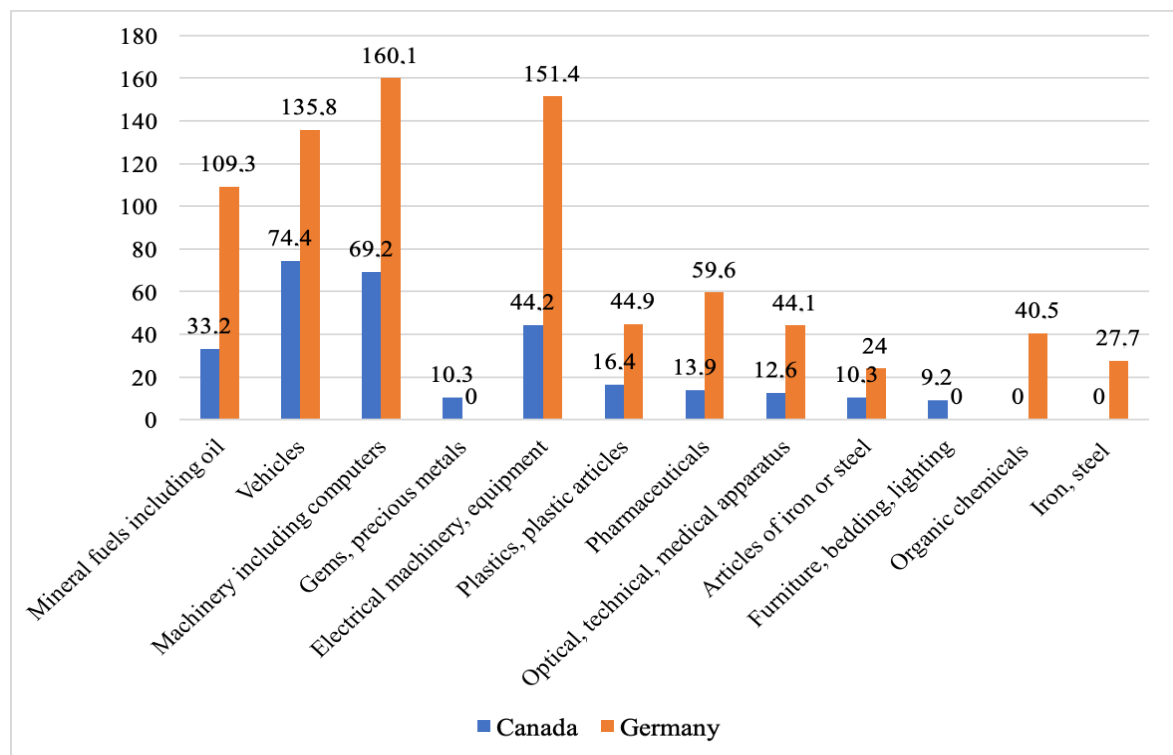

Source: World Bank data

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[25] Export in Canada (URL: http://www.worldstopexports.com/canadas-top-exports/)
[26] Export in Germany (URL: http://www.worldstopexports.com/germanys-top-10-exports/)

4.5.2 Import

Canada imported US$453.1 billion worth of goods from foreign suppliers in 2019. From a continental perspective, 57.6% of Canada's total imports by value in 2019 were purchased from North America. Asian trade partners satisfied 23.9% of imports bought by Canada while 14.3% worth originated from Europe. Smaller percentages came from Latin America (2.9%) excluding Mexico but including the Caribbean, Africa (0.8%). 'Figure 12 represents Canada's import purchases during 2019. Also shown is the percentage amount of overall imports into Canada'[27]. Applying a continental lens, 63.6% of Germany's total imports by value in 2019 were purchased from different European countries. Asian trade partners satisfied 22% of import purchases by Germany while 7.8% worth of goods originated from North America. Smaller amount came from customers in Africa (2.2%), Latin America (1.3%) excluding Mexico but including the Caribbean, then Oceania (0.3%) led by Australia.

Figure 12: Import of goods and services (billion US dollars) for 2019 year
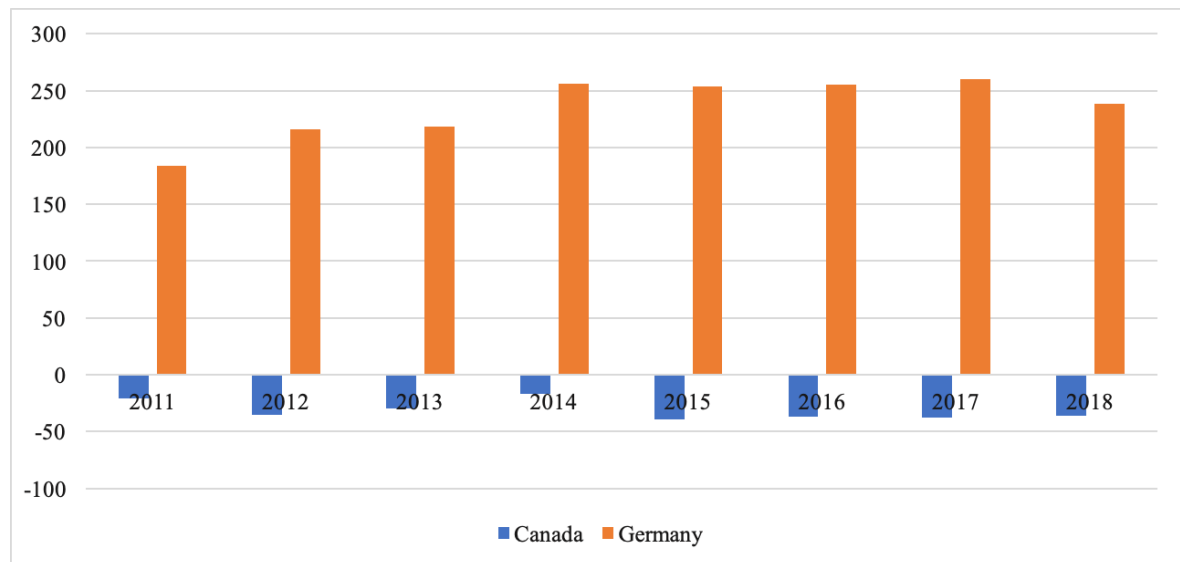

Source: World Bank data

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[27] Import in Canada (URL: http://www.worldstopexports.com/canadas-top-10-imports/)

4.5.3 Trade balance

Figure 13: **Net Trade in Canada and Germany (billion US dollars) for years 2011-2018**

Source: World Bank data

From figure 13 we can see, that Net Trade in Germany was unstable from 2011 till 2018, but was in surplus, it means that aggregate demand increased. Positive situation. But if we have a look at the situation in Canada, we can see that from 2011 till 2018 Net Trade was in deficit, it means that aggregate demand felled, and is a net leakage from the circular flow of income. Also, we can see that exports from Germany have better results, because Germany exports a lot of different products and services to other countries.

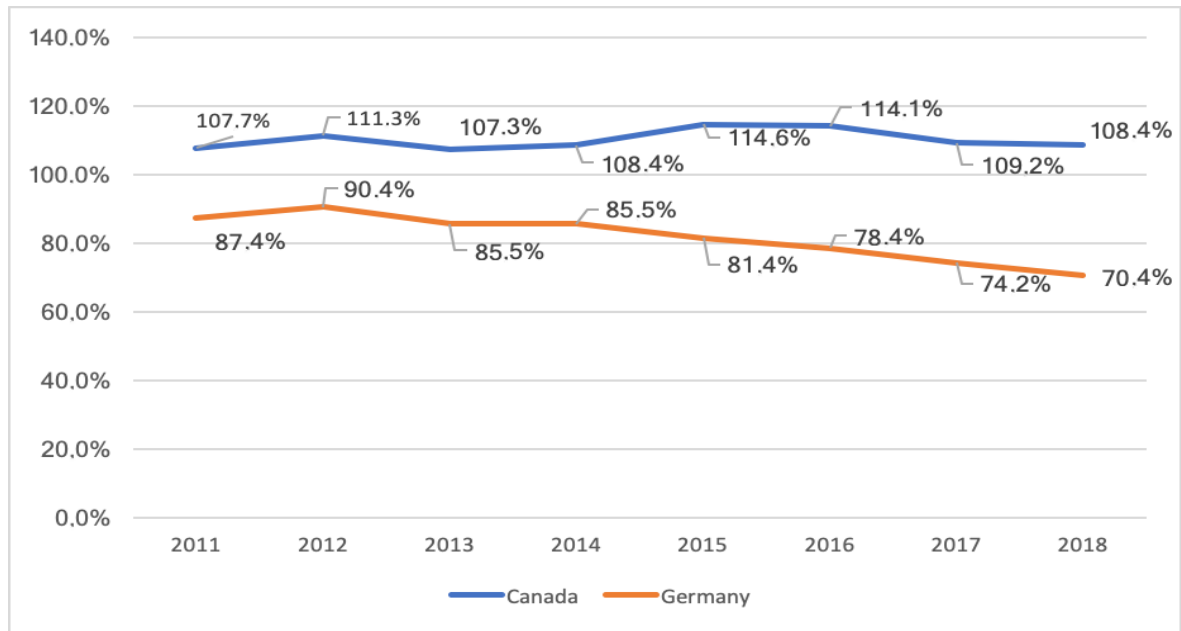## 4.6 Government debt and Budget deficit

4.6.1 Government debt

From Figure 14 we can see, that Government debts in Canada exceeds Government debts in Germany approximately by 20%. If debt-to-GDP ratio is greater than 77%. That's the tipping point, according to a study by the World Bank (World Bank group. 'Finding the Tipping Point: When Sovereign Debt Turns Bad'[28]. It found that if the debt-to-GDP ratio exceeds 77% for an extended period of time, it slows economic growth. Every percentage point of debt above this level costs the country 1.7% in economic growth. As we can see,

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[28]Government debts (URL: http://elibrary.worldbank.org/doi/abs/10.1596/1813-9450-5391.)

Government debt in Canada exceeds 77%, because the average % of debts for 8 years are 110,125 %.

Figure 14: Government debt in Canada and Germany (% of GDP) for years 2011-2018
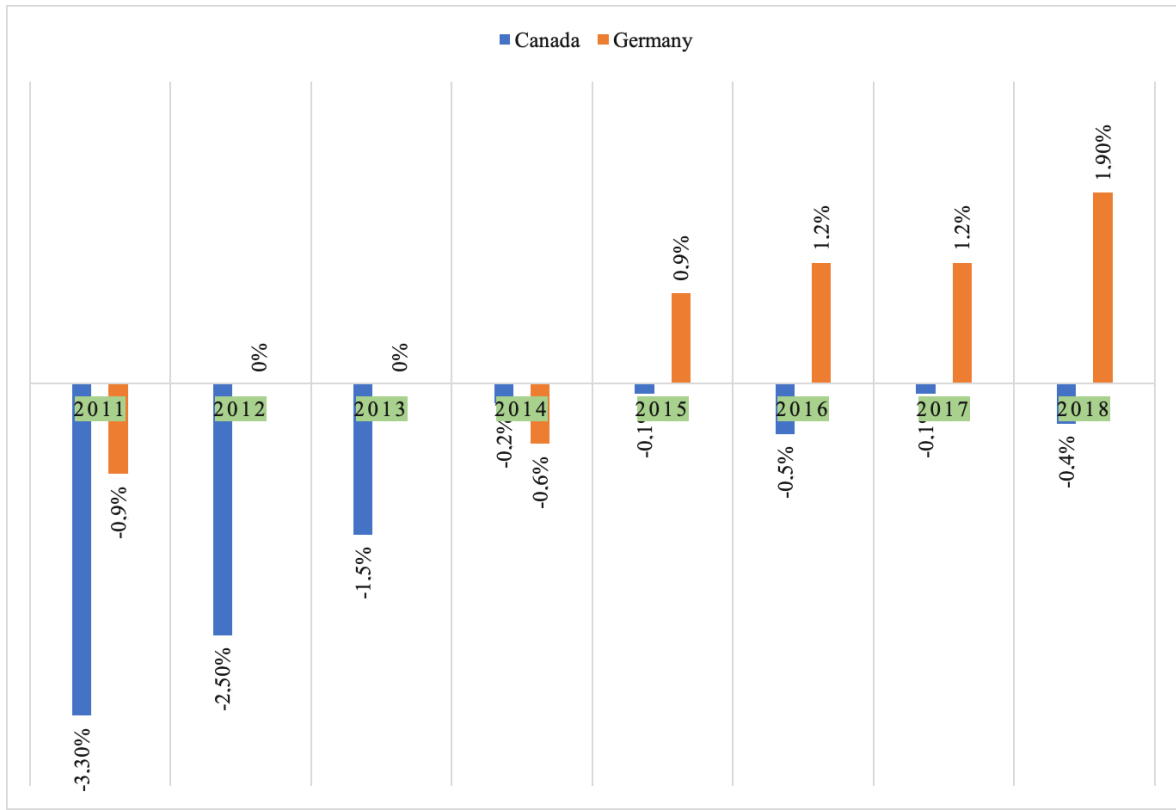
It means that Canada couldn't pay off its debt even if everything it produced these years went toward paying it. In Germany, the situation wasn't good till 2014, because the average of Government debt exceeded 77%, it was 84,7%, but still better than in Canada. From 2017 the situation was good, in 2017 it was 74,2 % and then it decreased. It had a good effect on the country's economy.

4.6.2 Budget deficit

From this graph, we can see that Budget deficit in Canada was higher than in Germany, from 2011 till 2013. But in 2014 situation was almost on the same level. Situation in Germany was balanced in 2011 and 2012 years. And from 2015 till 2018 the situation in Germany was better, but with a small difference. Canada's expenditure exceeds revenue between 2011-2018 years.

Figure 15: Budget deficit of Canada and Germany (% of GDP) for years 2011-2018

Source: OECD

5 Swot analysis

Table 3: SWOT analysis for Canada

SWOT analysis of Canada	
INTERNAL	
STREGHTS	**WEAKNESSESS**
High quality of education and medicine	More producing and exporting goods and services to different countries
Areas of nature	
One of the richest countries	Tourism
16th highest nominal per-capita income	Budget deficits and high public debts.
12th highest ranking in the Human Development Index	The fluctuating Canadian dollar
Canadian economy 10th place in the world	

Canada is part of NATO, the G7, the Group of Ten, the G20, the North American Free Trade Agreement and the Asia-Pacific Economic cooperation forum Entrepreneurial support Niche market growth (development of Canadian diamonds) Close to American	
EXTERNAL	
OPPORTUNITIES	**THREATS**
Good country for investors Emerging markets	High taxes Net trade Government debts The closing stores

Source: Own work

Table 4: SWOT analysis for Germany

SWOT analysis of Germany	
INTERNAL	
STREGHTS	**WEAKNESSESS**
Logistical environment is superior and regulatory efficiency is high High quality of education and medicine Border with different countries, such as Denmark, Poland, Czech Republic, Austria, Switzerland, France, Luxembourg, Belgium and Netherlands. 2nd largest producer of hops Strong economy 4th largest economy by nominal GDP	Total tax rate of Germany in 2014 was in the top ten regionally, signaling relatively higher tax rates Germany lags behind in the ease of starting a business in comparison to regional peers, owing to relatively higher costs associated with setting up a new firm

3rd largest exporter and importer of goods Member of the United Nations, NATO, G7, the G20, and OECD.	
EXTERNAL	
OPPORTUNITIES	THREATS
Further quantitative easing (QE) by the European Central Bank (ECB) in March 2016 will increase credit in German economy High levels of Research and Development (R&D) spending along with R&D initiatives by the government will increase innovation	Germany is predicted to face skills shortages owing to an ageing population and lack of government initiatives to fill this gap in skills Minimum wage in Germany will reduce the wage cost competitiveness, especially with regards to low-skilled labor

Source: Own work

5.1 Conclusion by SWOT analysis

After the SWOT analysis of Canada and Germany, we can conclude that Tables 1 and 2 show a difference between Canadian and German economies. Each country has its internal factors, such as strengths and weaknesses, and external factors, which include opportunities and threats. Both countries have similarities, such as high quality of education and medicine, development index, and they are part of NATO, the G7, G20. Also, they have some differences, such as export, Germany produce and export more goods and services. Canada and Germany developed countries with a strong economy, and they very important for the World. Both countries have great perspectives for growth across all sectors, but Germany showed better results than Canada.

6 Conclusion

The comparison between Canada and Germany shows that Germany has a more robust economy. Especially, Germany has GDP almost two times higher, higher GDP per capita. Both countries have a practically similar structure of output, inflation rate (CPI). In Canada, the employment ratio is higher than in Germany almost 2-3 times. However, the dynamics of both countries is positive. Export in Germany higher, because of the number of produced products and services to different countries, not only in Europe, while Canada exports goods and services to the closest country-America. Canada has a great nature, a significant territory, but a low population. Canada needs to increase the population, create conditions for migration for growing GDP. Population in Germany almost two times more than in Canada. Because of migration, the labor force is higher, salaries higher, that's why Germany has a definite position in the international market.

SWOT analysis of Canada and Germany shows that the countries have some similarities, such as high taxes, high salaries, comfortable conditions for life. However, Germany has a better location, because around located a lot of European countries which open for cooperation, import, and export. Canada and Germany have a high quality of education and health care, which attracts many people to study and work, which helps GDP to grow.

Overall, we can conclude that the German economy is more developed and stable. It makes Germany more attractive to foreign cooperation and investments and provides a higher level of GDP growth.

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