

# Germany: Political Economy and Issues for the Future

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**I. German Industrialization**

**II. Structures of the Social  
Market Economy**

**III. Wither the  
*Wirtschaftswunder*?**

**IV. Issues for the  
Future**



# I. German Industrialization

- Germany as a Late Industrializer
- *Zollverein* (1834)
- “Coordinated” Industrialization
  - Business, State, Banks
  - Top-Down System
  - Social Welfare and Education
  - Railroads
- Shapes later Political Economy(s)

**Bismarck the  
Industrializer  
(and Unifier...  
and Militarist...)**



## II. Structures of the Social Market Economy

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### ■ **Role of the State**

- Social Protection (High Taxes)
- Market Coordination
- Macro Management

### ■ **Organization of Capital**

- Coordinating Role of Banks
- Dominance of Large Corporations
- Vocational Training System

## II. Structures of the Social Market Economy

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### ■ Organization of Labor

- Centralized Unions (e.g., DGB)
- Co-determination (*Mitbestimmung*)

### ■ Culture

- Social Partnership
- Negotiated Change

### ■ The 'High Everything' Economy

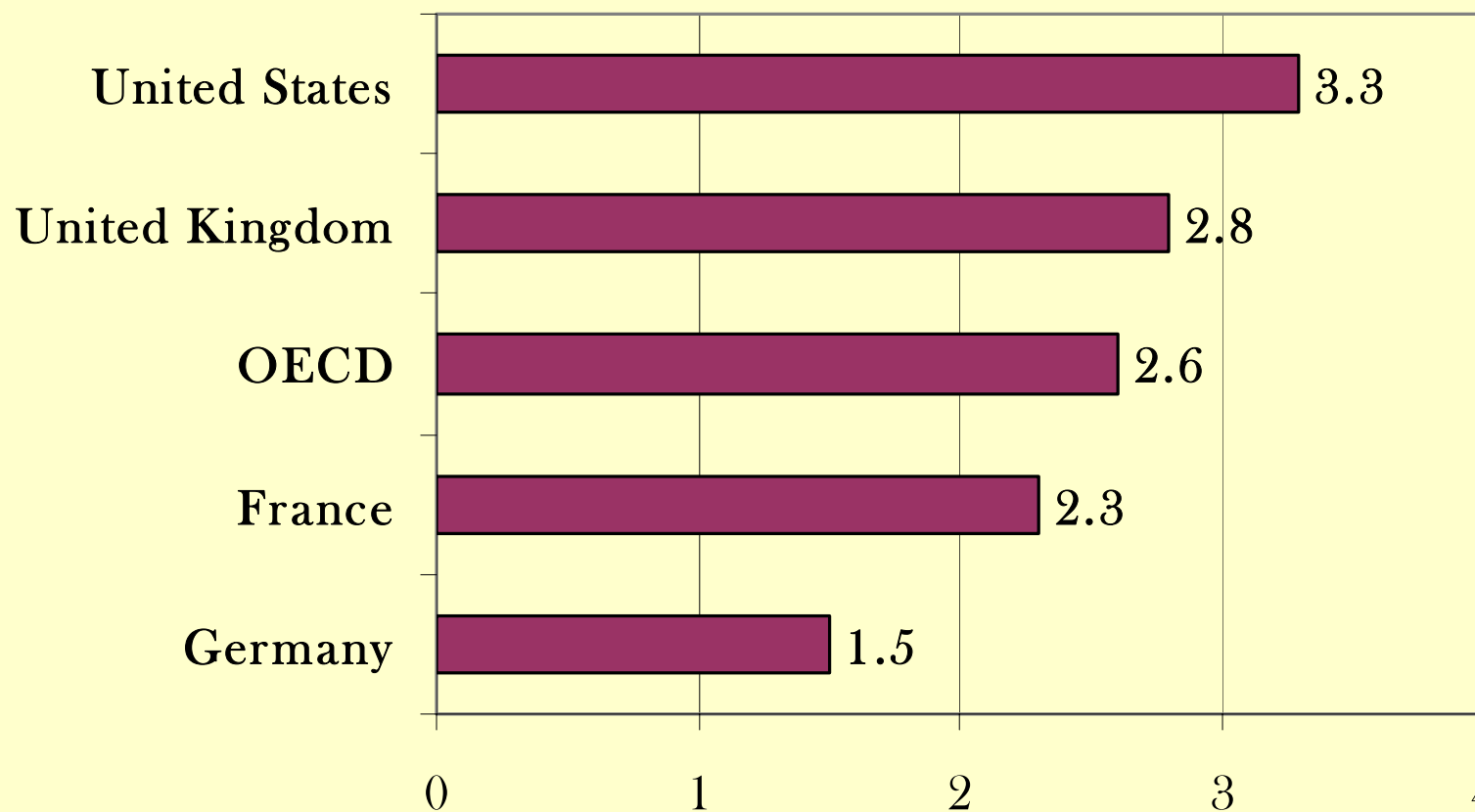
# III. Wither the *Wirtschaftswunder*?

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- Problems of the 1990s
  - The Costs of Reunification
  - The Single Currency
  - Increasing Globalization
- The Struggle to Reform
  - Unemployment
  - Pensions for an Ageing Population
  - Emphasis on Manufacturing

# Slow Growth

Annual Average % Real GDP Growth 1994-2004



# Weakening Productivity

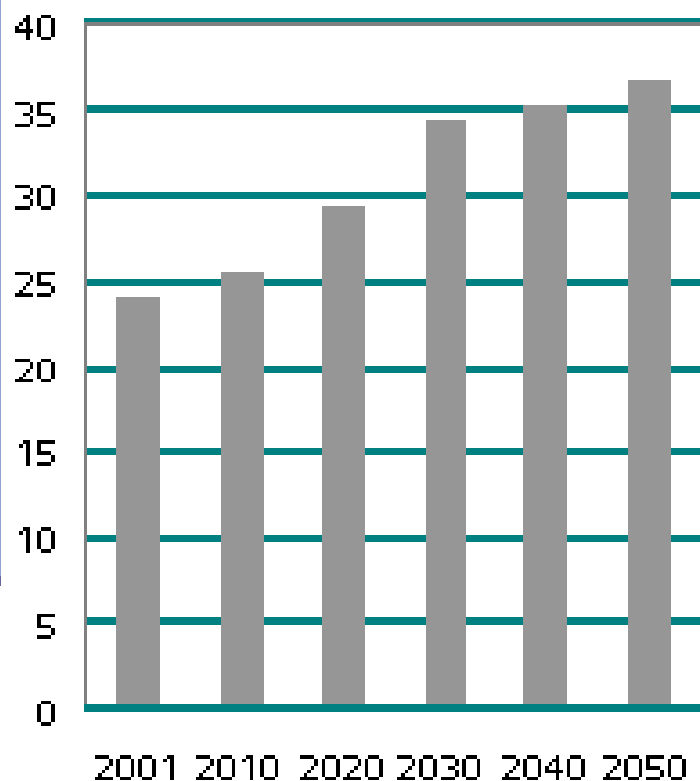


# The High Cost of 'High Everything'



# The Germany of Old

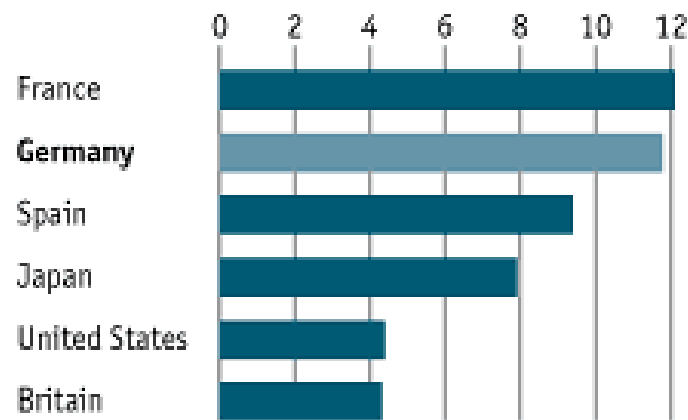
Percentage of people above 60 years old in Germany



Reference: Federal Statistical Office, 06-2003

## Grey area

Public pension spending, 2000, % of GDP



Source: OECD

# IV. Issues for the Future

- Economic Reform
- Foreign Affairs
  - “Economic Giant; Political Dwarf”
- Unification Over the Long-Term
- European Integration

Merkel's Special  
Relationship with the USA

