Germany: Political Economy and Issues for the Future

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…)

![Bismarck Image]
II. Structures of the Social Market Economy

- **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

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

- **Culture**
  - Social Partnership
  - Negotiated Change

- The ‘High Everything’ Economy
III. Wither the *Wirtschaftswunder*?

- 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

- United States: 3.3
- United Kingdom: 2.8
- OECD: 2.6
- France: 2.3
- Germany: 1.5
Weakening Productivity

Germany: GDP per Person Employed

- US
- Former West Germany
- Germany
The High Cost of ‘High Everything’

The diagram shows hourly labour costs for production workers in manufacturing, 2001, US=100. The costs are expressed as a percentage of total labour costs for each country. The countries listed are Germany, United States, Japan, Sweden, Britain, and Spain. The costs range from 15.5% to 28.0%. The source of the data is the US Bureau of Labour Statistics.
The Germany of Old

Percentage of people above 60 years old in Germany

Grey area
Public pension spending, 2000, % of GDP

France
Germany
Spain
Japan
United States
Britain

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