

German Economic Policy

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The *Sozialmarktwirtschaft* (Social Market Economy)

- The German Consensus – Labor, Corporations & Government
- High Wages Induce High Productivity
- High Public Investments in Education, Training & Skills
- High Public Investments in Health, Social Security & Safety Net
- Highly Regulated & Restricted Markets (*Rheinheitsgebot & Ladenschluss*)

Social Market Economy (continued)

- High Investment in Environmental Protection
- Homogeneity & Standardization (Uniformity of Work Contracts)
- Monetary Stability – Low Inflation, Highly Valued D-Mark

Postwar Economic Performance

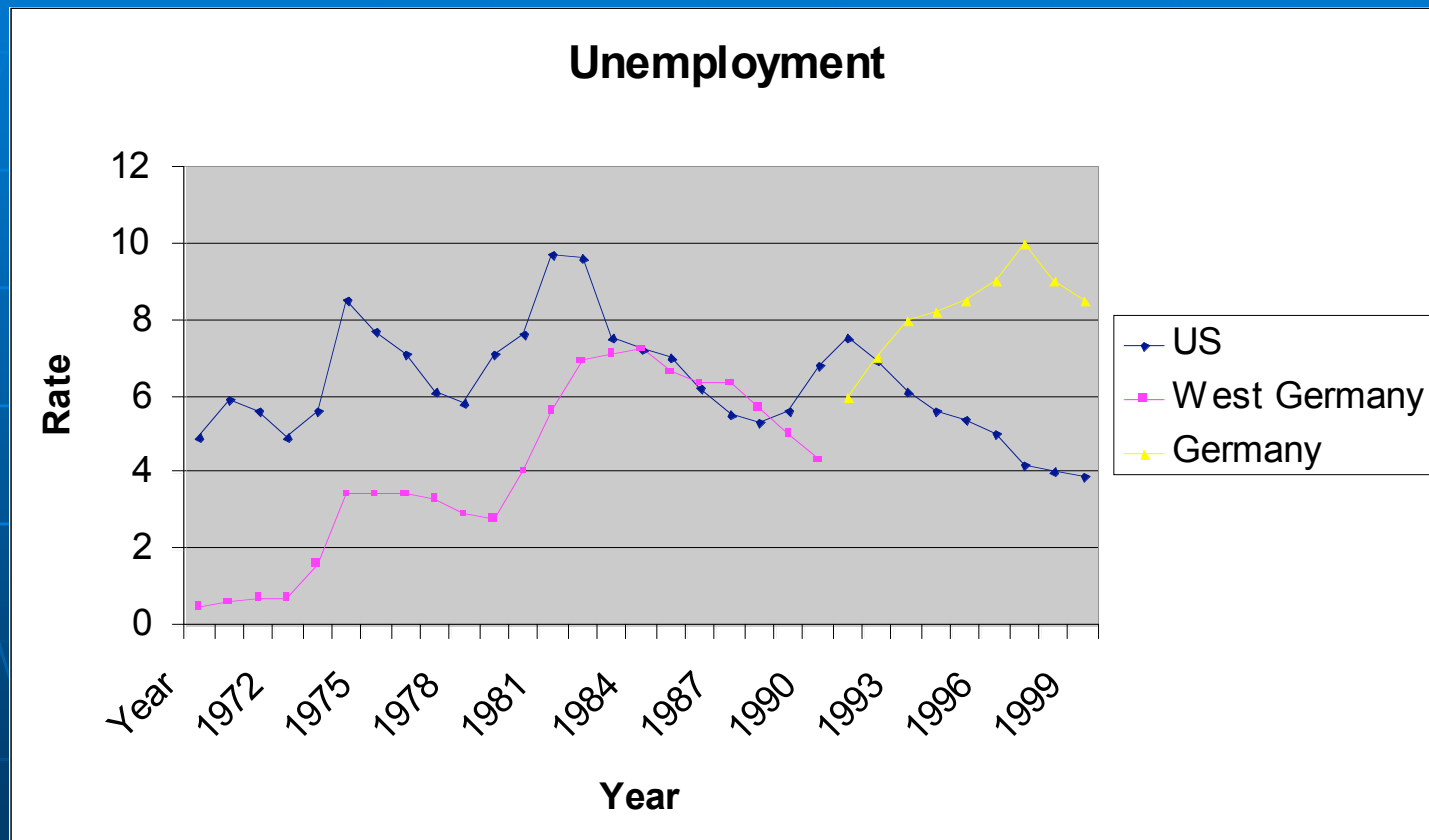
The *Wirtschaftswunder*

- High Growth
- High Wages
- Low Unemployment
- Low Inflation
- High Exports
- High Standard of Living

Economic Stagnation of the 1990s

- Stagnant Growth
- Stagnant Wages
- Record Unemployment
- Stagnant Standard of Living

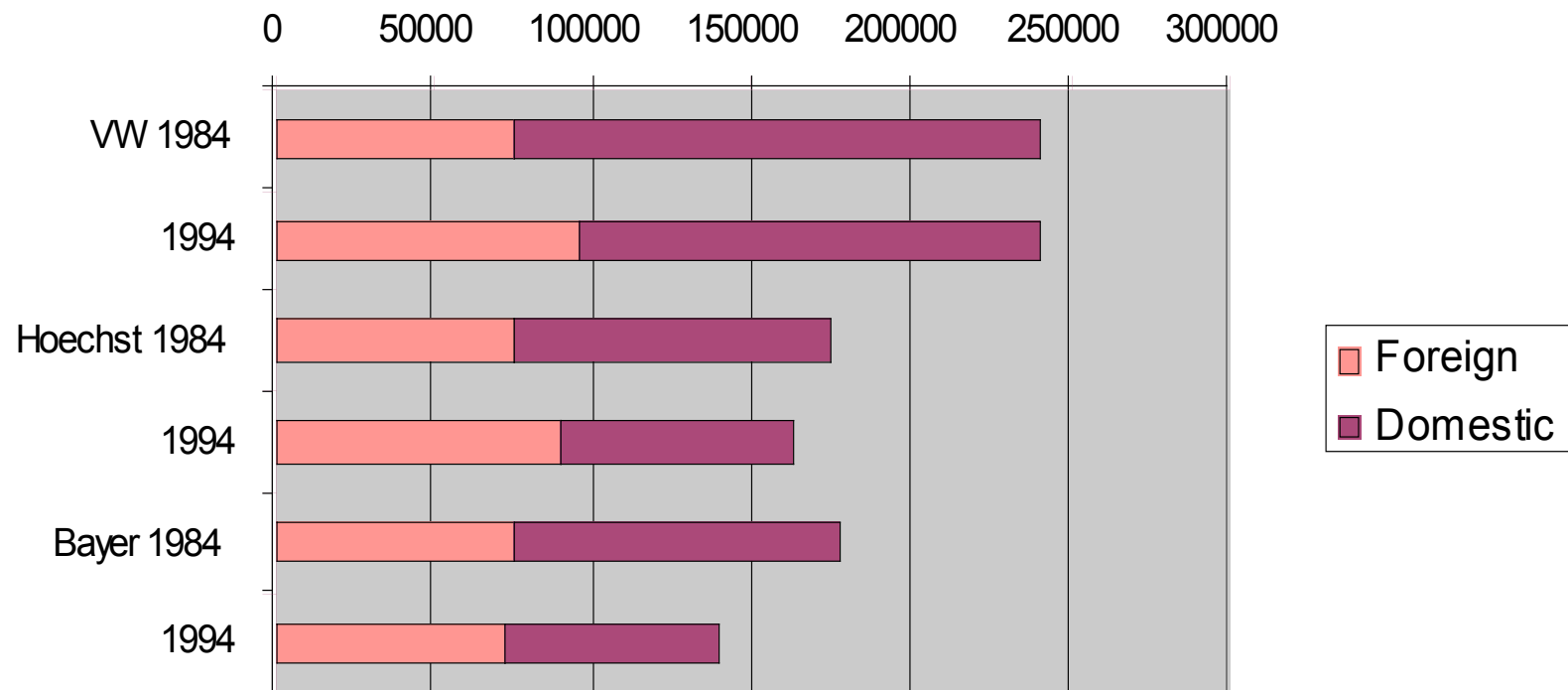
Unemployment Rate in Germany and in the USA



What Happened to the German Economy in the 1990s?

- Unification
- European Integration
- Globalization
- Loss of Competitive Advantage in Traditional Industries

Employment in Large German Firms

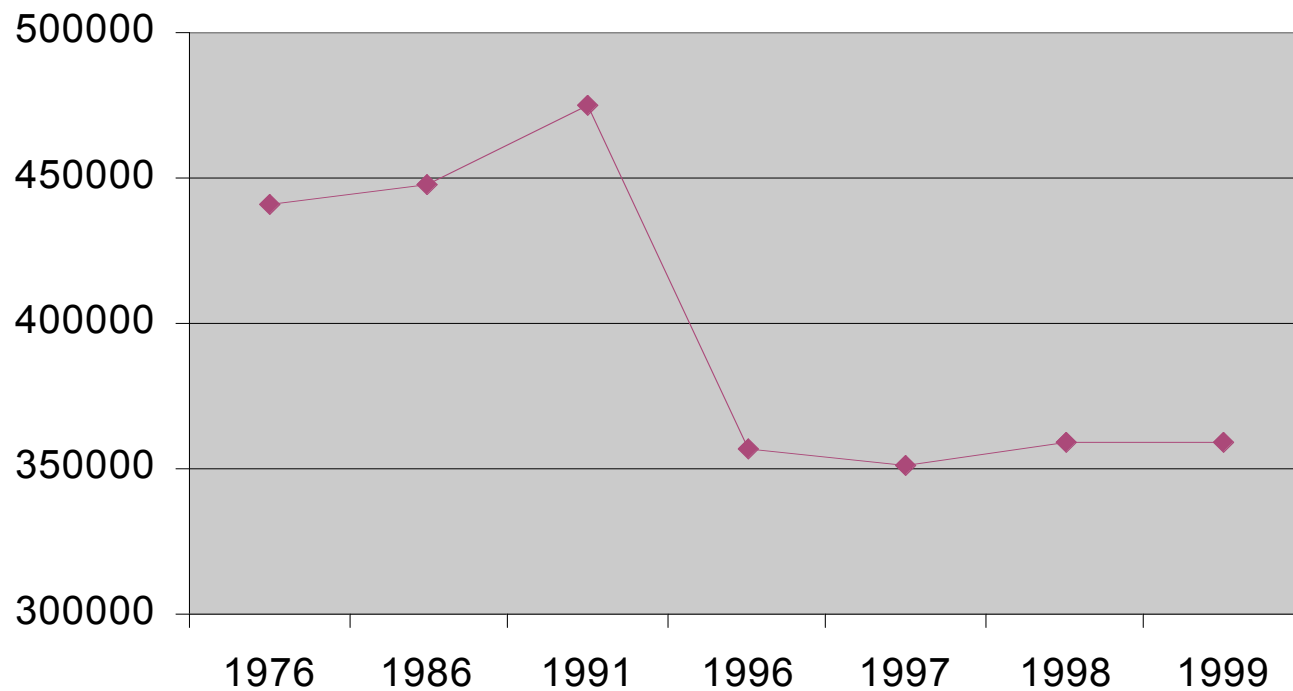


Corporate downsizing in Germany, 1991-1995

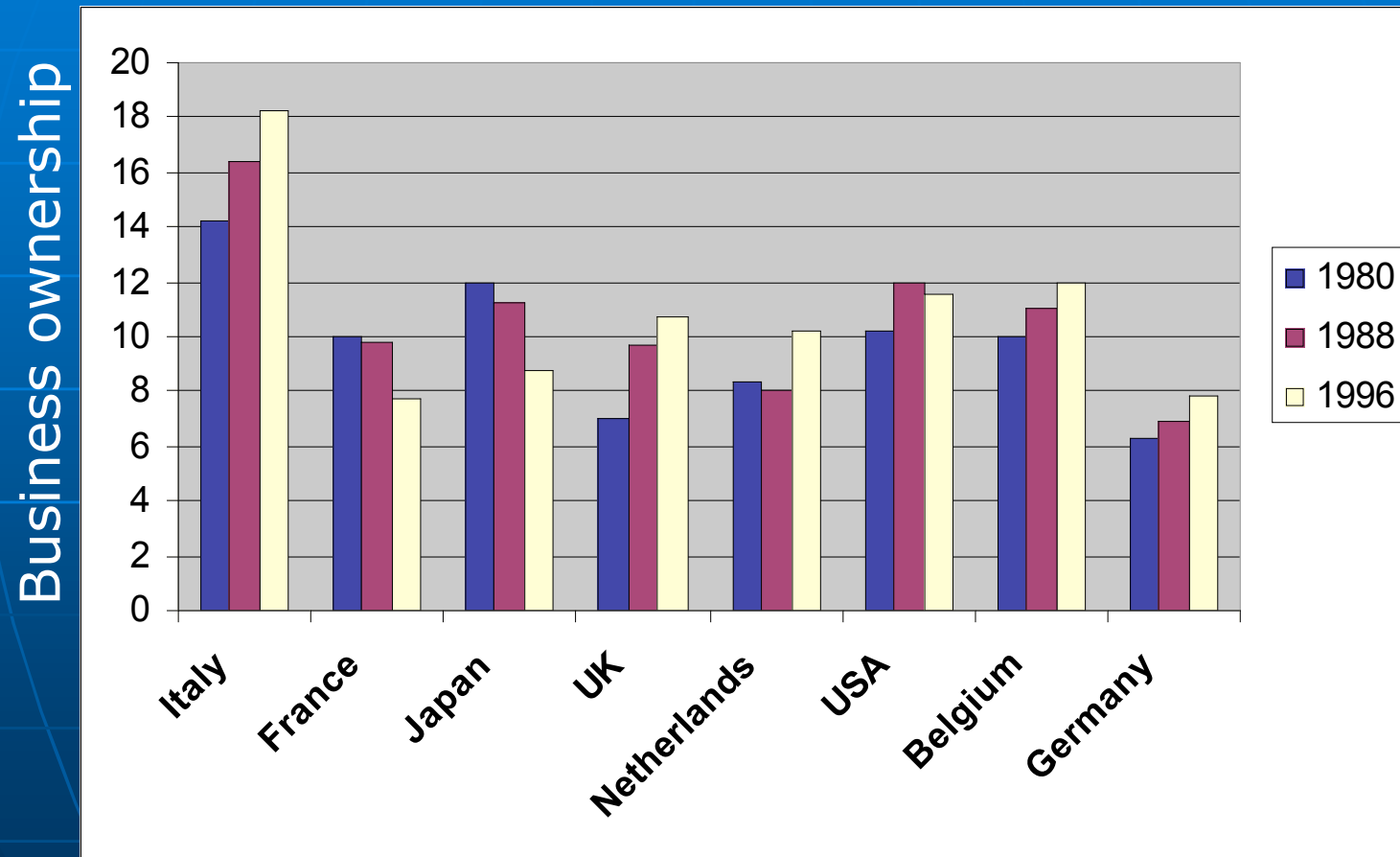
| | Manu- facturing | Chemical | Electrical Eng. | Autos | Mech. Eng. | Textiles |
|----------|--------------------|----------|--------------------|----------|---------------|----------|
| Foreign | +189,000 | +14,000 | -17,000 | +30,000 | +16,000 | -6,000 |
| Domestic | -1,307,000 | -80,000 | -198,000 | -161,000 | -217,000 | -68,000 |

Employment in Stuttgart

Manufacturing Employees in Stuttgart



Low Entrepreneurship in Germany



The Economic Policy Response

- Denial
- Recognition
- Envy
- Consensus
- Attainment

The New German Economic Policies

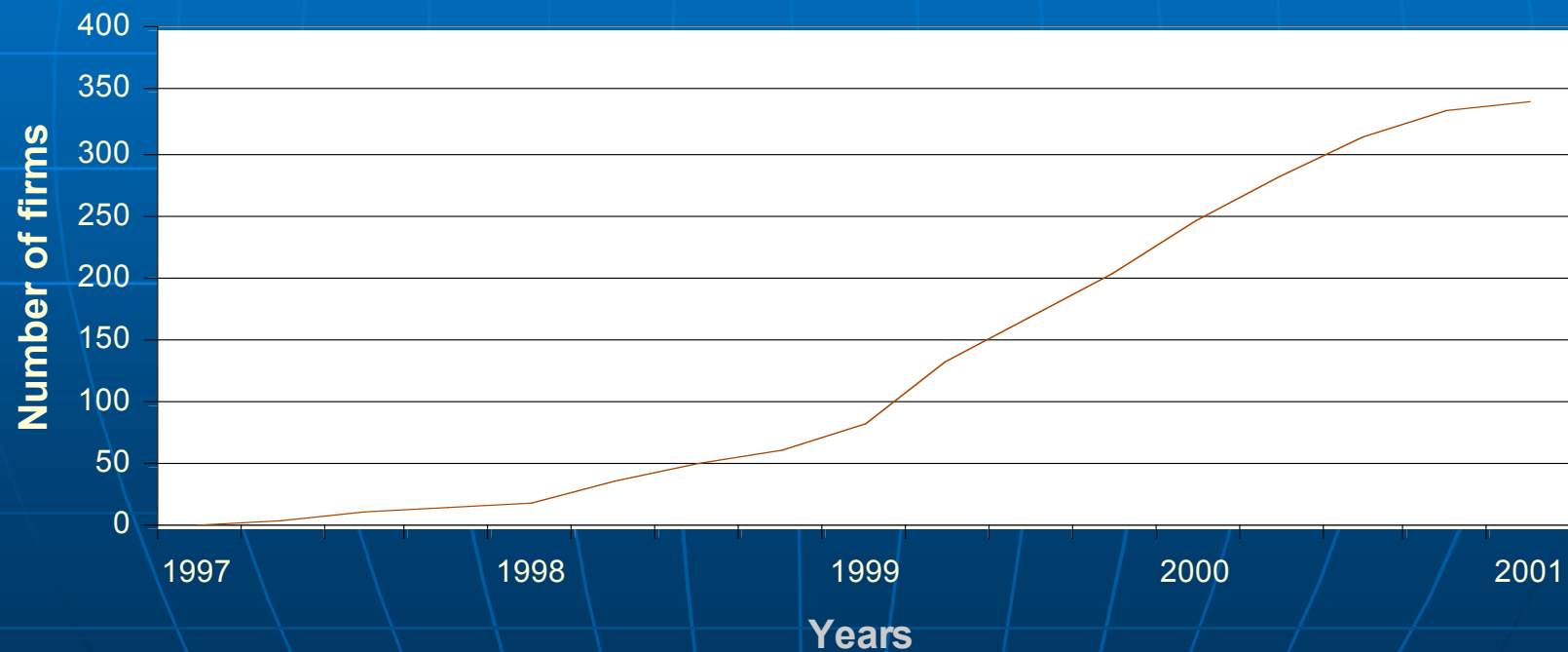
- Shareholder Value
- Takeovers (Mannesman)
- More Labor Market Flexibility
- Deregulation & Privatization
- Entrepreneurial, Knowledge Based & High Tech
- Green Card – Immigration

New Policies to Promote University Spinoffs

- EXIST Program in Germany
- Bizeps – Rhein & Ruhr
- Dresden exists
- GET UP– Jena
- KEIM – Karlsruhe & Pforzheim
- PUSH! – Stuttgart

Firms Listed on Der Neue Markt (New Market)

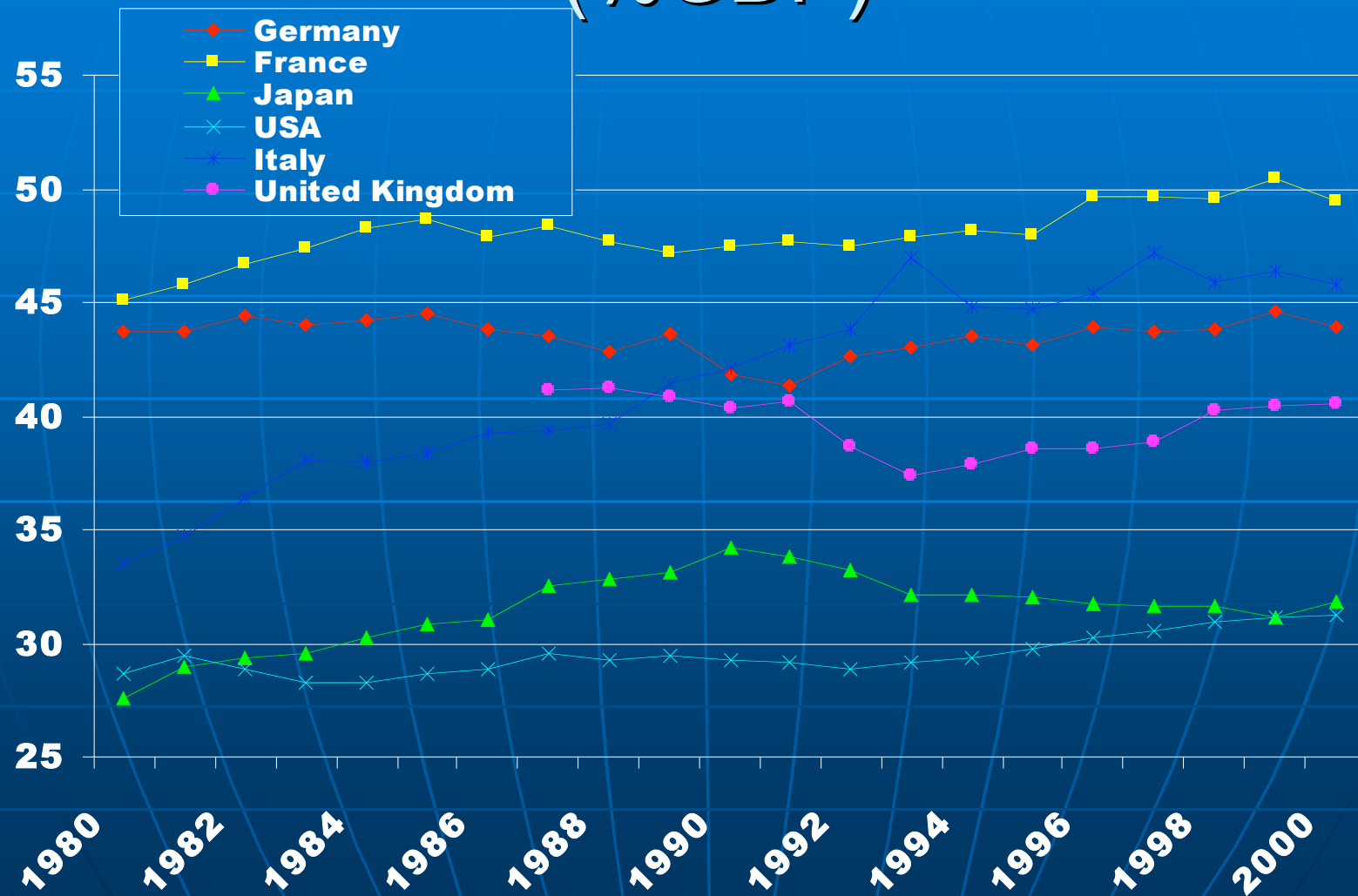
Firms listed on *Der Neue Markt*



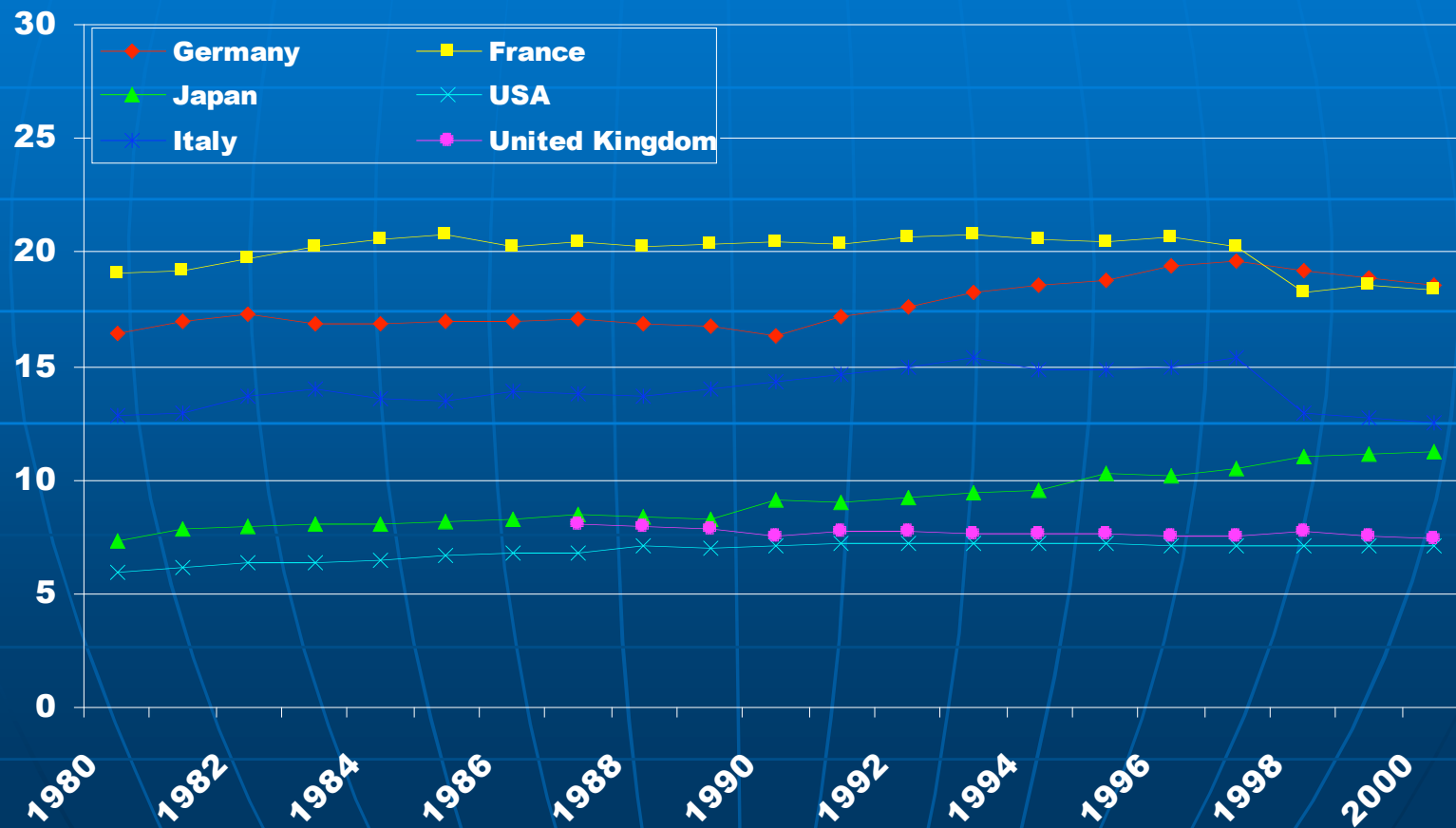
Contemporary Policy Debate

- Social Security (Rente)
- Taxes
- Social Benefits
- Environment
- Five New Bundesländer
- Immigration & Diversity

High German Total Public Revenue (%GDP)



High German Social Safety Net Costs (%GDP)



Economic Policy

The Coming Issues

- Eastward Expansion of the EU
- Aging of the German Workforce
- Social & Environmental Dumping
- Biomedical Research & Industry
- Universities & Education