

The German Model— boon or bane?

Dr. Michael Dauderstädt
Sao Paulo, September 17, 20112

Germany's changing economic governance

1950-1965: Ordo-liberalism; social market economy; fiscal surplus;

1965-1975: keynesianism; deficit spending; monetary policy aiming at price stability

1975-1998: dominant monetary policy vs. deficit spending

1998-today: Eurozone member state

Germany's Economy: Laggard or Miracle?



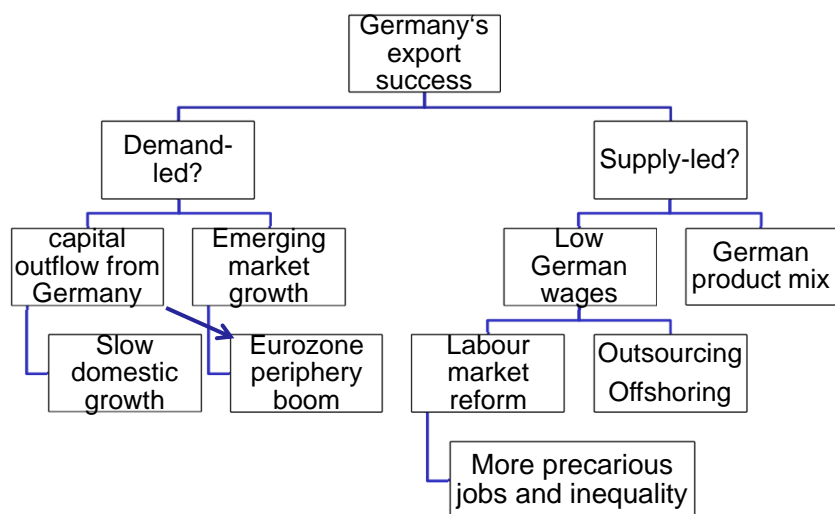
Hype 1 (The Laggard): 2000-2006

- Slow productivity growth
- Persistent unemployment

Hype 2 (The Miracle): 2006-2008/2010-?

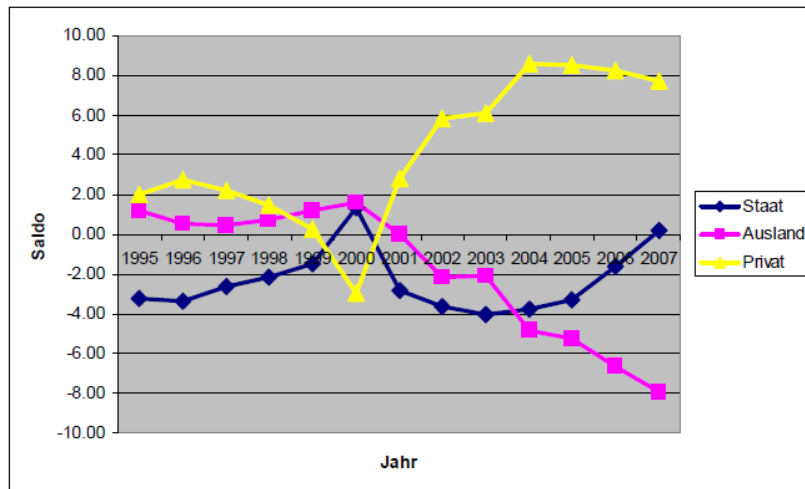
- Export-led growth
- Still slow productivity growth
- Declining unemployment

Germany's export success different interpretations

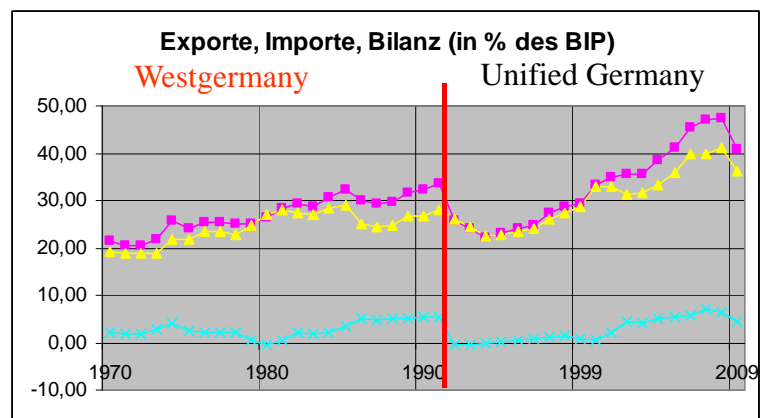


Sector accounts in Germany

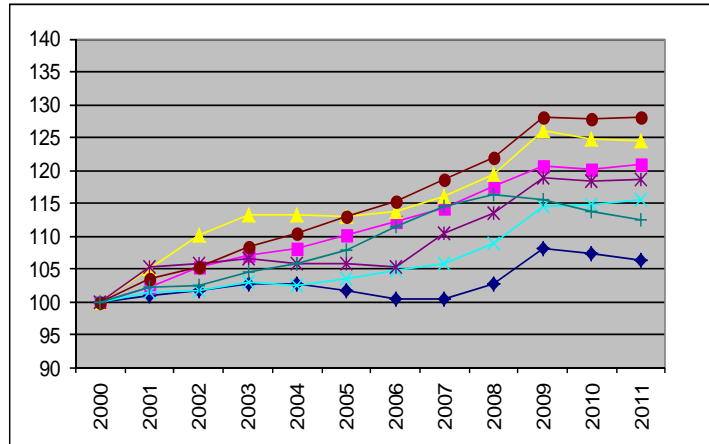
(in % of disposable income)



Germany's Trade Development

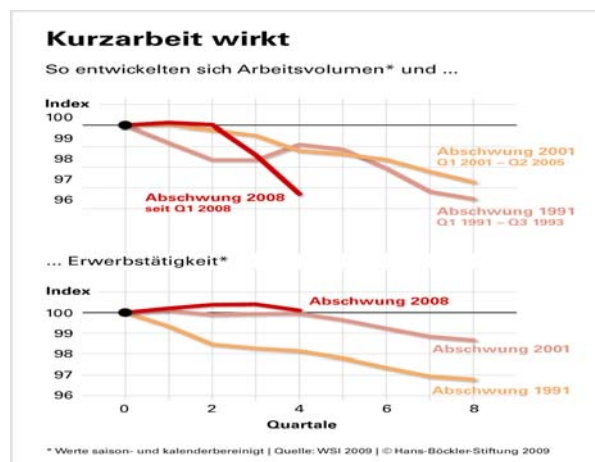


Unit labor costs



UK
NL
F
S
A
USA
D

Short-Time Work Works



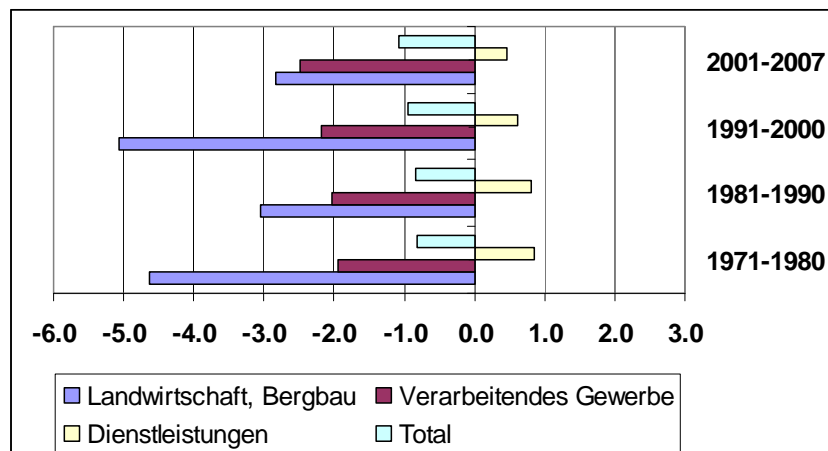
The exaggerated role of manufacturing



- Manufacturing output is highly cyclical (strong decline in 2009, strong recovery in 2010/11)
- Share of manufacturing is declining, even in Germany
- Services create value, too (Germans, please take note!)
- German service sector is the laggard

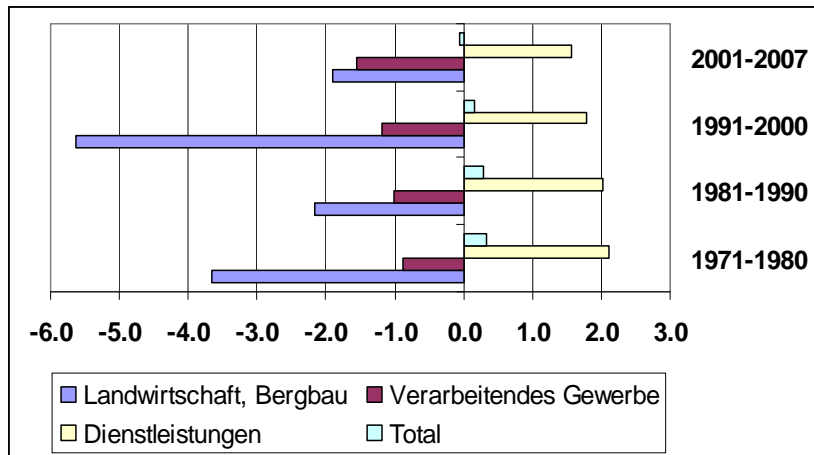
Employment by sector

(Hours, change in %)

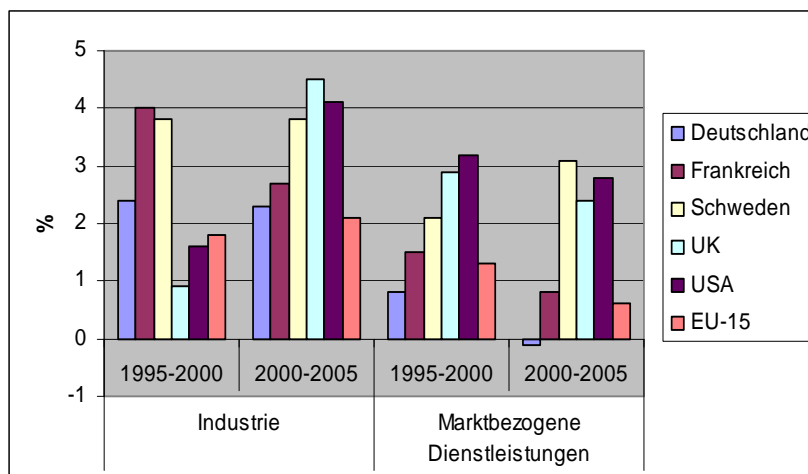


Employment by sector

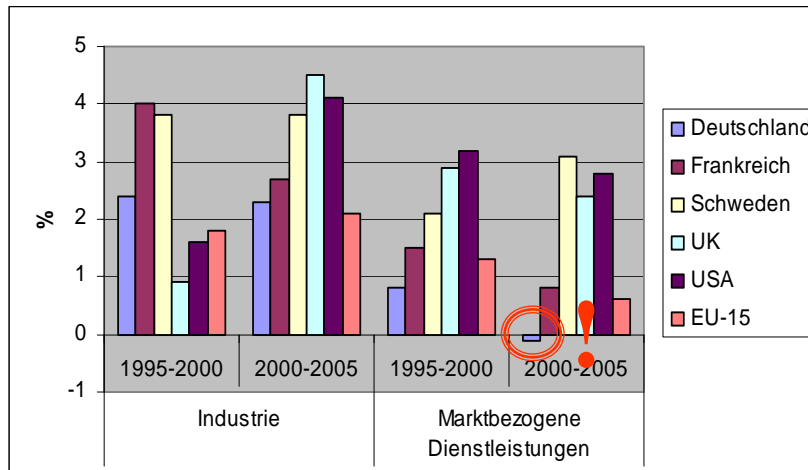
(Persons, change in %)



Slow productivity growth



Slow productivity growth in the service sector

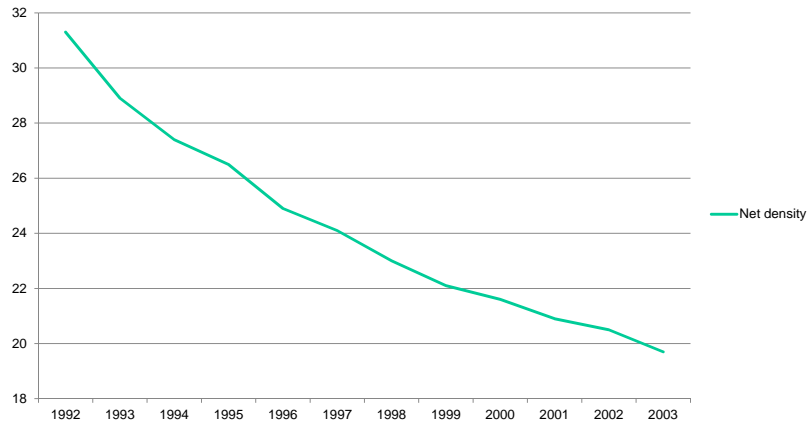


Germany's reforms: Farewell to corporatism?

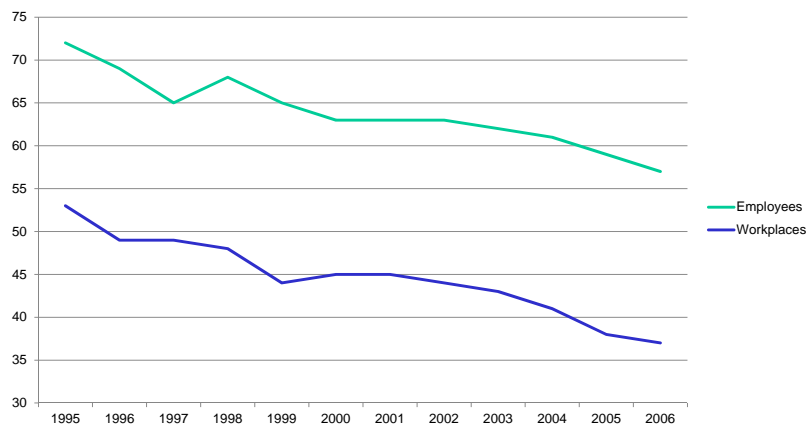


- Declining membership of unions and employers associations
- Decentralization of collective bargaining
- Changing corporate governance
- Disentangling „Deutschland AG“
- Privatization
- Slimming the welfare state
- The reforms of Agenda 2010

Declining density of union membership



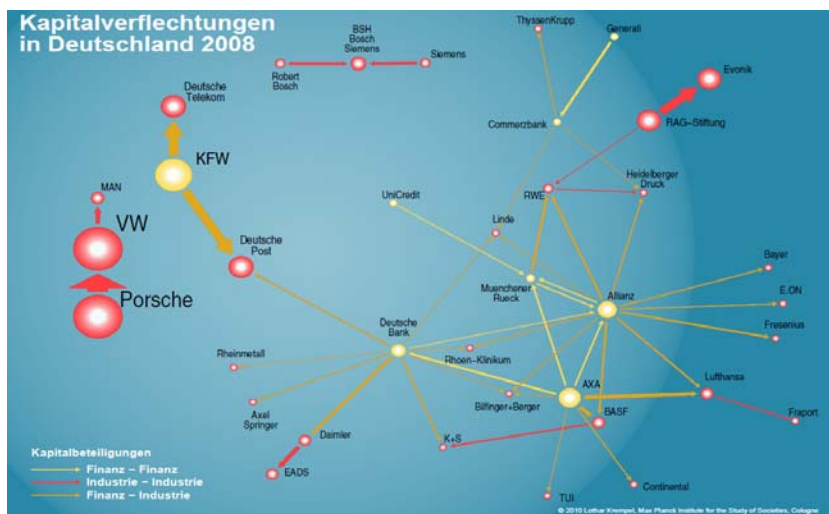
Declining coverage of collective bargaining agreements



Cross shareholdings in Germany 1996



Cross shareholdings in Germany 2008



Germany's economic performance before and after the reforms



Indicators	Dimension	Before Reform 1995-2003	After Reform 2003-2011
Growth	Average annual rate of growth	1.95%	2.34%
Investment	Average ratio (in% of GDP)	21%	18%
Productivity	Average annual rate of growth	0.97%	0.72%
Real wage growth	Average annual rate of growth	0 ^a	-0.8% ^b
Unit labour costs	Average annual rate of growth	0.29%	0.45%
Unemployment	Average ratio	10.3%	9.1%
Wage share	Average ratio	54%	51% ^c
Labour market flexibility	Average ratio of entries into and exits from employment	36.4 ^d	40.6 ^e

19

Germany's economic performance before and after the reforms



Indicators	Dimension	Before Reform 1995-2003	After Reform 2003-2011
Income distribution	Gini-coefficient	0.27 (1998)	0.31 (2005)
Employment	Additional new jobs	1,754,000	831,000
Hours worked (billions)	Average annual amount	57,068	56,581
Export growth	Average annual rate of growth	9%	7%
Export surplus (Current account in% of GDP)	Average ratio	-1%	5% ^e
Budget deficit (in% of GDP)	Average ratio	2.1%	1.9%
Government debt (in% of GDP)	Average ratio	59%	69% ^e

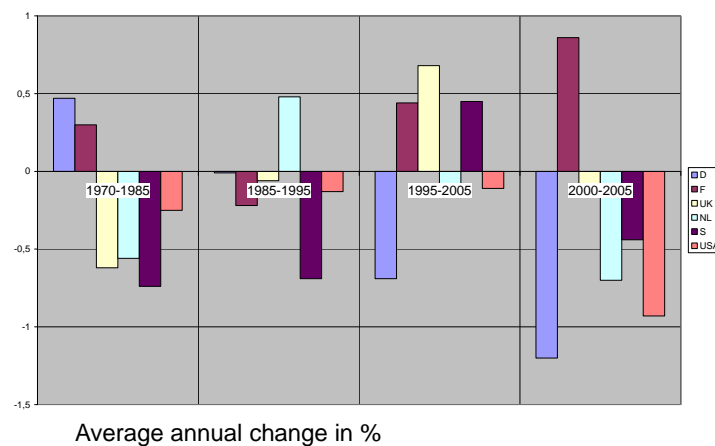
20

Germany's price: Rising inequality



- Fastest rise of inequality within OECD
- Stagnating real wages
- Declining wage share of GDP
- Growing wage dispersion
- The rich get wealthier
- The German savings glut

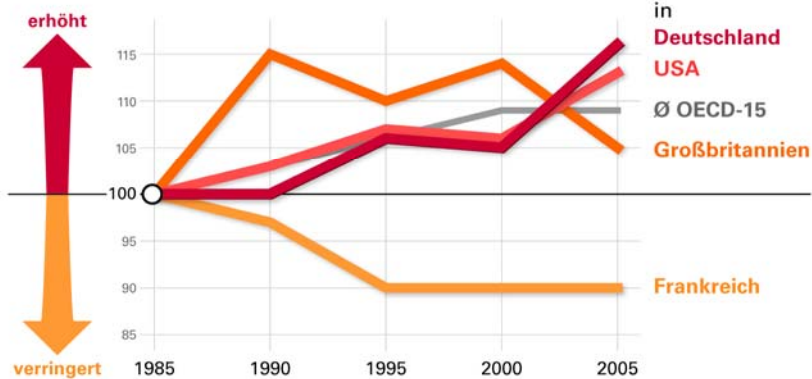
Declining wage shares – above all in Germany



Germany: Growing unequal faster

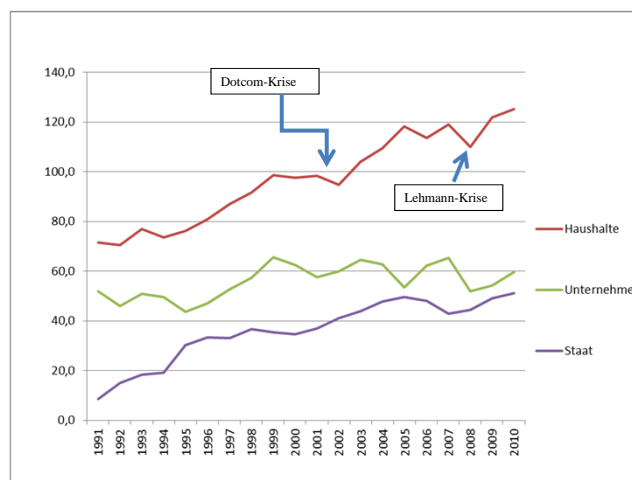


Seit 1985 hat sich die Ungleichheit der verfügbaren Einkommen...



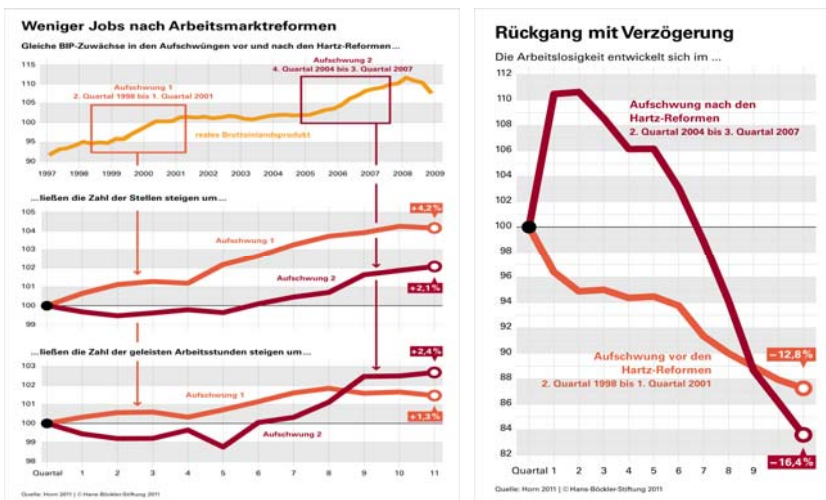
Veränderung des Gini-Koeffizienten für Ungleichheit, Index 1985=100; Quelle: OECD 2009 | © Hans-Böckler-Stiftung 2010

Net monetary assets of households (positive), corporations and government (negative = debt; inverted) in percent of gdp in Germany 1991-2010



**Thanks for your
attention!**

The employment effects of labour market reforms

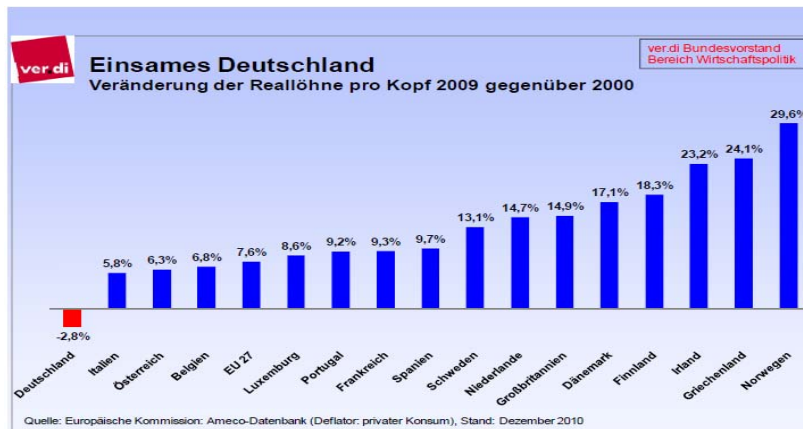


Do higher profits lead to more investment?

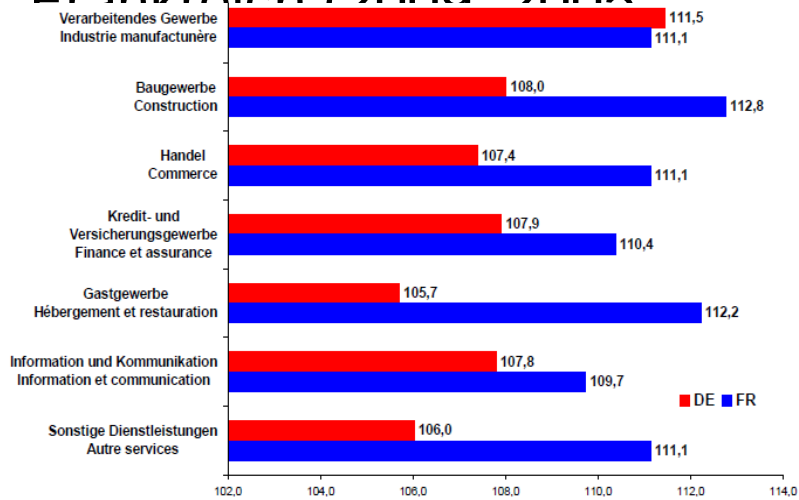
Gewinnabschöpfung zählt



Das traditionelle deutsche Wachstumsmodell



Tariflohnentwicklung in Deutschland und Frankreich (2000-2005)



April 2011

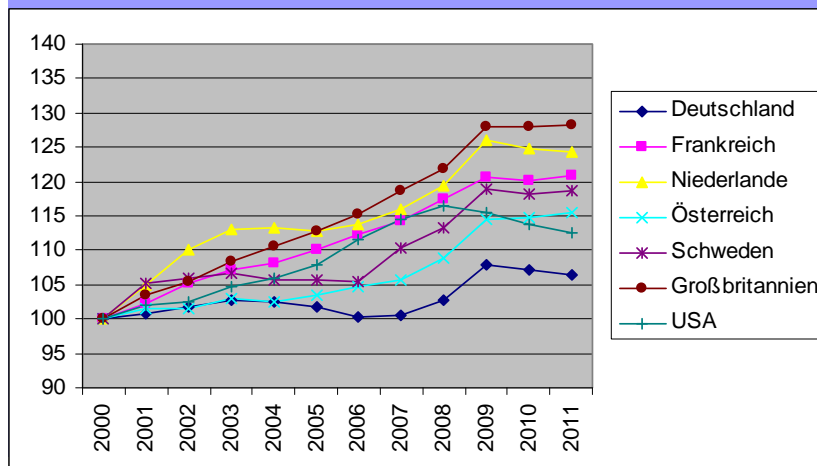
Friedrich-Ebert-Stiftung – Abt. Wirtschafts- und Sozialpolitik

29

Das traditionelle deutsche Wachstumsmodell



Überblick Lohnstückkostenentwicklung (Gesamtwirtschaft), 2000-2011



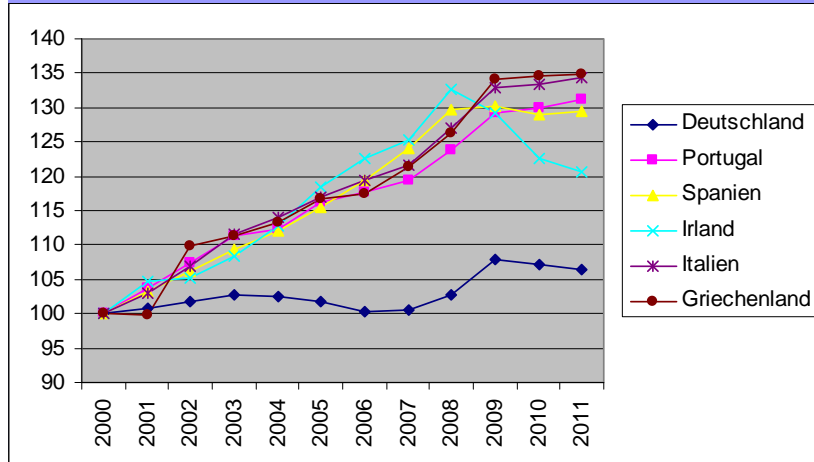
April 2011

Friedrich-Ebert-Stiftung – Abt. Wirtschafts- und Sozialpolitik

30

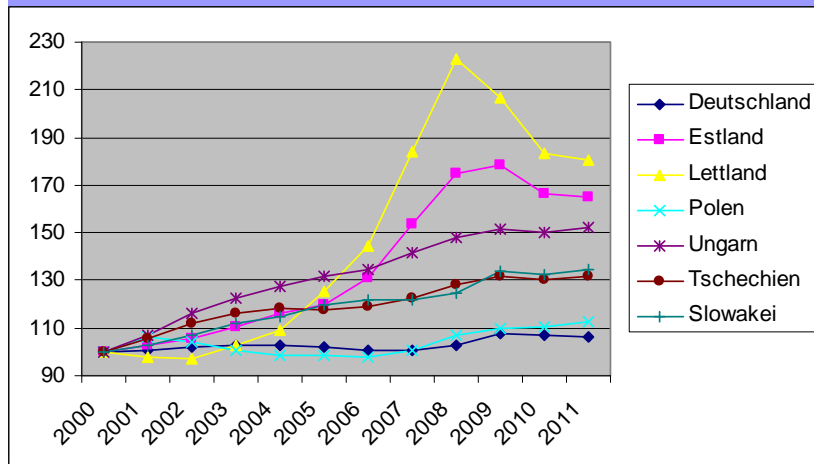
Das traditionelle deutsche Wachstumsmodell

Überblick Lohnstückkostenentwicklung (Gesamtwirtschaft), 2000-2011



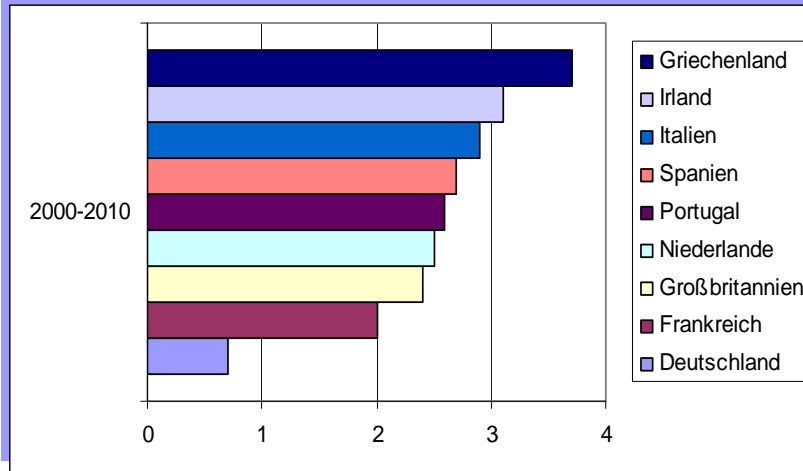
Das traditionelle deutsche Wachstumsmodell

Überblick Lohnstückkostenentwicklung (Gesamtwirtschaft), 2000-2011



Das traditionelle deutsche Wachstumsmodell

Entwicklung der kumulierten Lohnstückkosten, 2000-2010

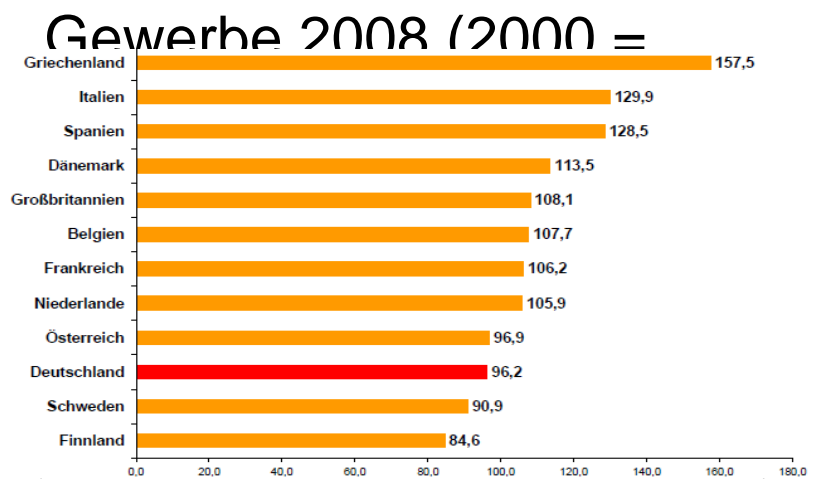


April 2011

Friedrich-Ebert-Stiftung – Abt. Wirtschafts- und Sozialpolitik

33

Lohnstückkosten im Verarbeitenden Gewerbe 2008 (2000 =

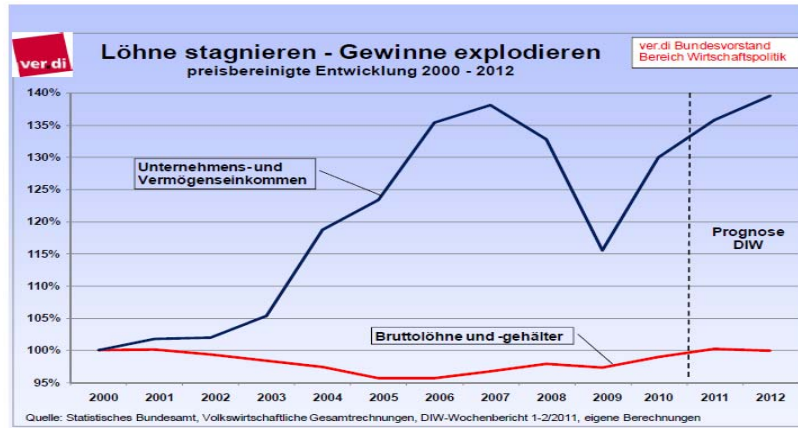


April 2011

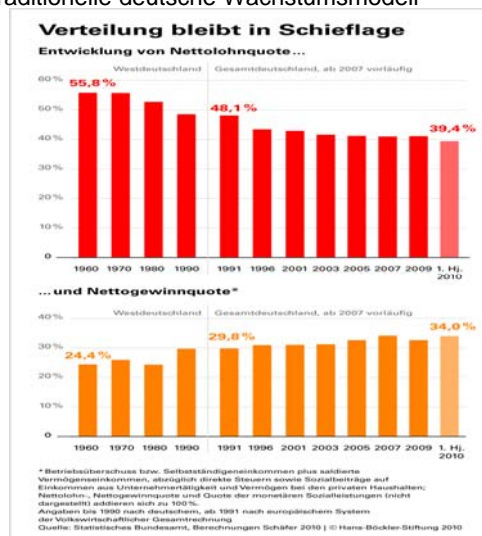
Friedrich-Ebert-Stiftung – Abt. Wirtschafts- und Sozialpolitik

34

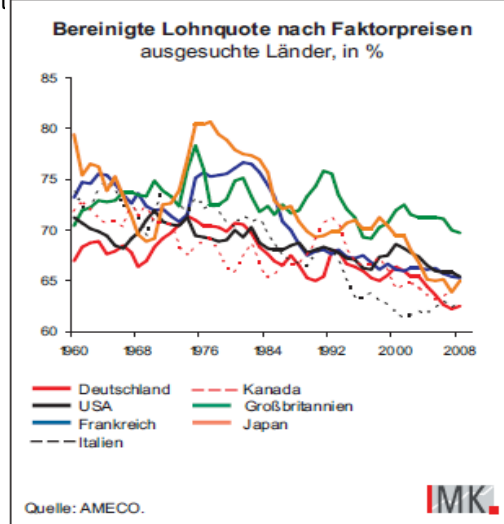
Das traditionelle deutsche Wachstumsmodell



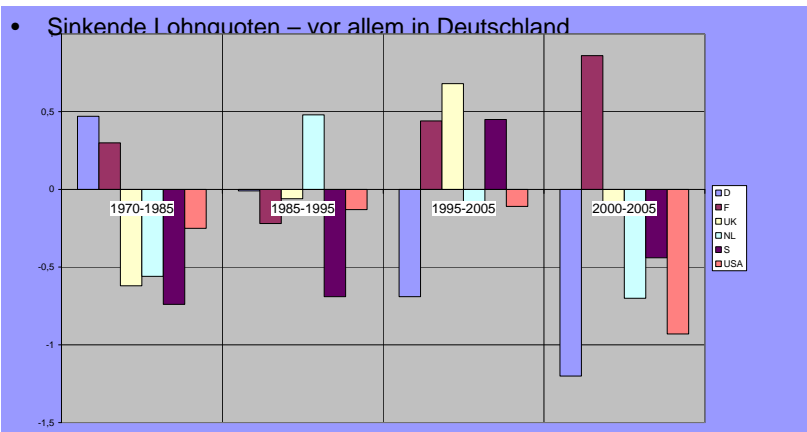
Das traditionelle deutsche Wachstumsmodell



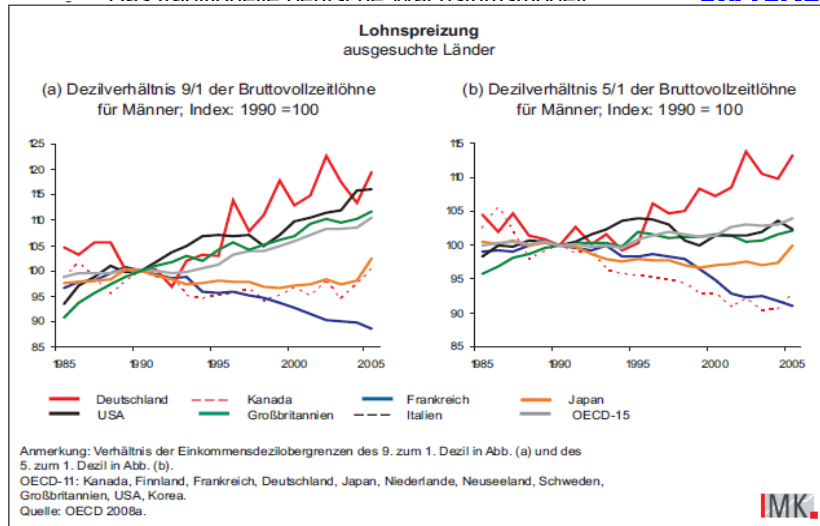
Das t...



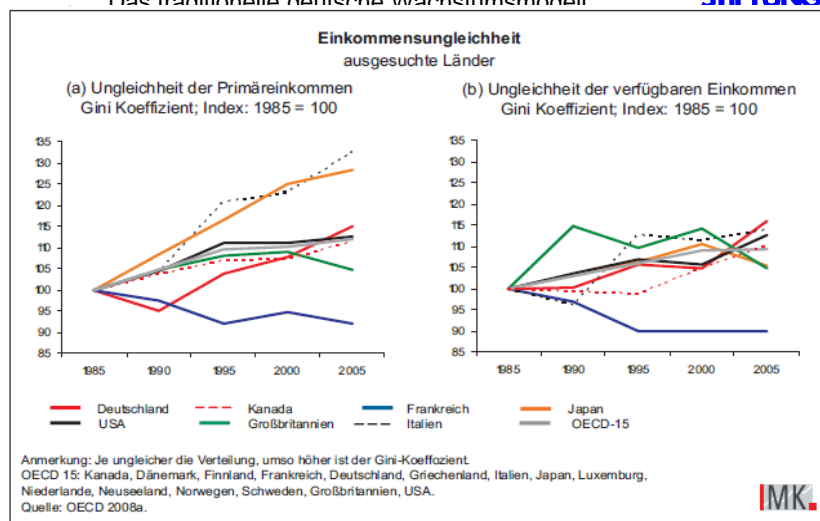
Das traditionelle deutsche Wachstumsmodell



Das traditionelle deutsche Wachstumsmodell



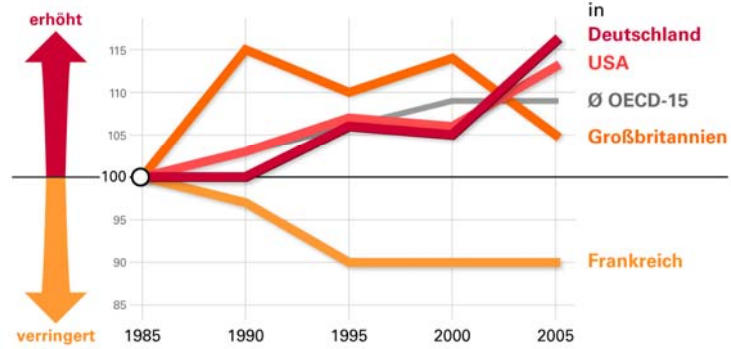
Das traditionelle deutsche Wachstumsmodell



Das traditionelle deutsche Wachstumsmodell

Ungleichheit in Deutschland stark erhöht

Seit 1985 hat sich die Ungleichheit der verfügbaren Einkommen...



Veränderung des Gini-Koeffizienten für Ungleichheit, Index 1985=100; Quelle: OECD 2009 | © Hans-Böckler-Stiftung 2010

Das traditionelle deutsche Wachstumsmodell

Beschäftigte bekommen weniger ab

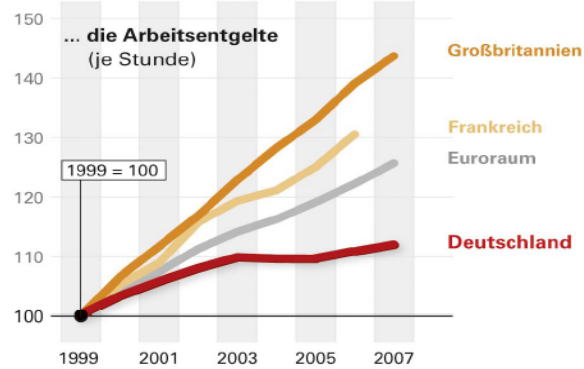
Im vergangenen Jahrzehnt änderten sich das...



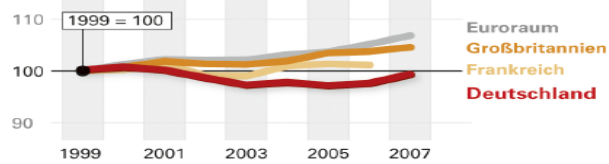
* 1. Quartal; Quelle: Statistisches Bundesamt, Berechnungen Stein 2010 | © Hans-Böckler-Stiftung 2010

Das traditionelle deutsche Wachstumsmodell
**Leistungsvergleich in Europa –
 Deutschland bleibt Schlusslicht**

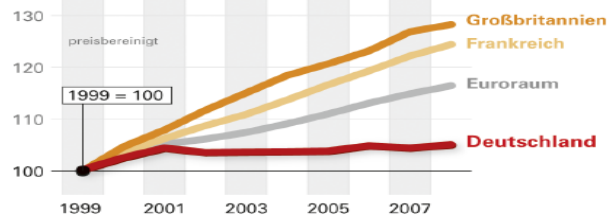
Seit 1999 entwickelten sich ...



Das traditionelle deutsche Wachstumsmodell
 ... die Beschäftigung (in Stunden)



... der private Konsum



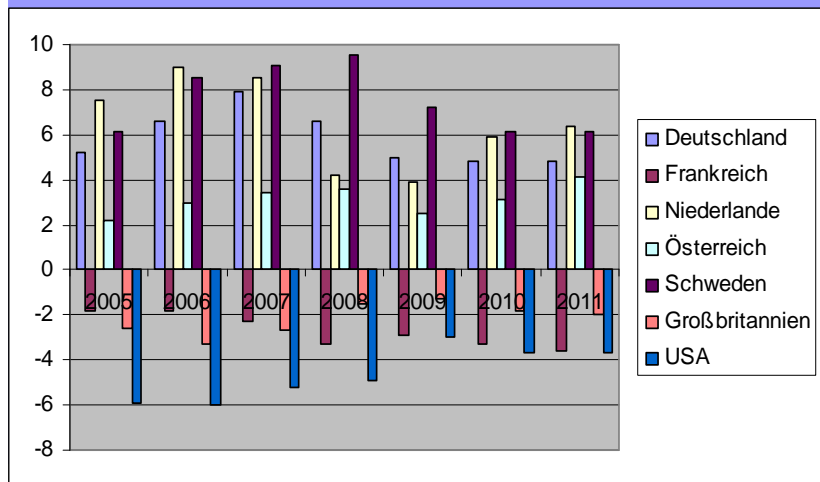
Arbeitsentgelte und privater Konsum in jeweiliger Währung berechnet
 Quellen: Ecowin, Eurostat 2008 | © Hans-Böckler-Stiftung 2008

Das traditionelle deutsche Wachstumsmodell



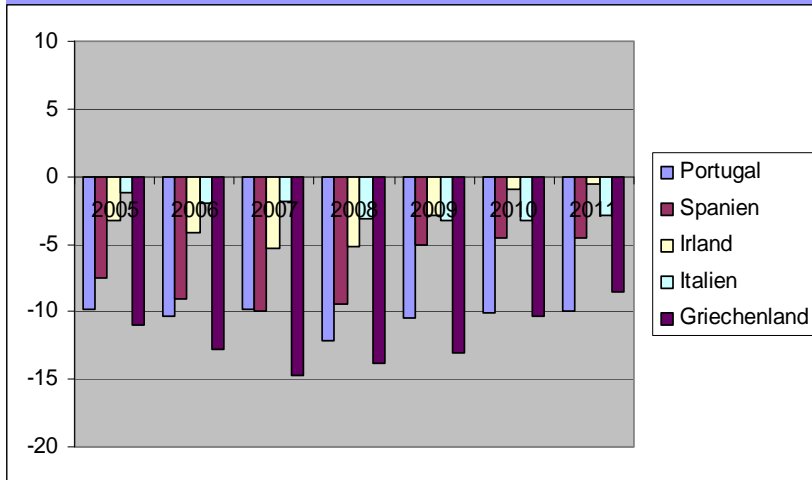
Das traditionelle deutsche Wachstumsmodell

Überblick über die Leistungsbilanzsalden (in % des BIP), 2005-2011



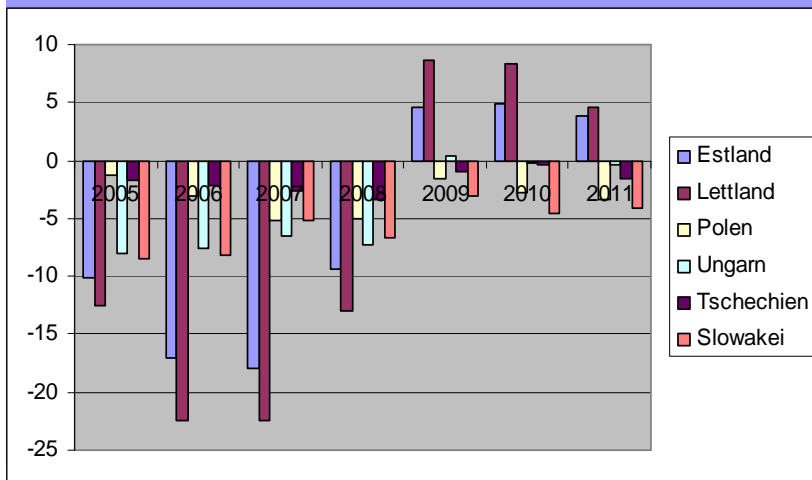
Das traditionelle deutsche Wachstumsmodell

Überblick über die Leistungsbilanzsalden (in % des BIP), 2005-2011



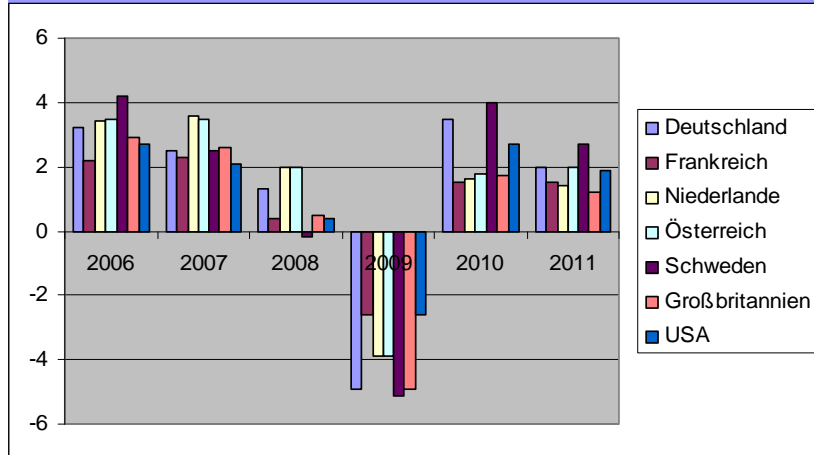
Das traditionelle deutsche Wachstumsmodell

Überblick über die Leistungsbilanzsalden (in % des BIP), 2005-2011

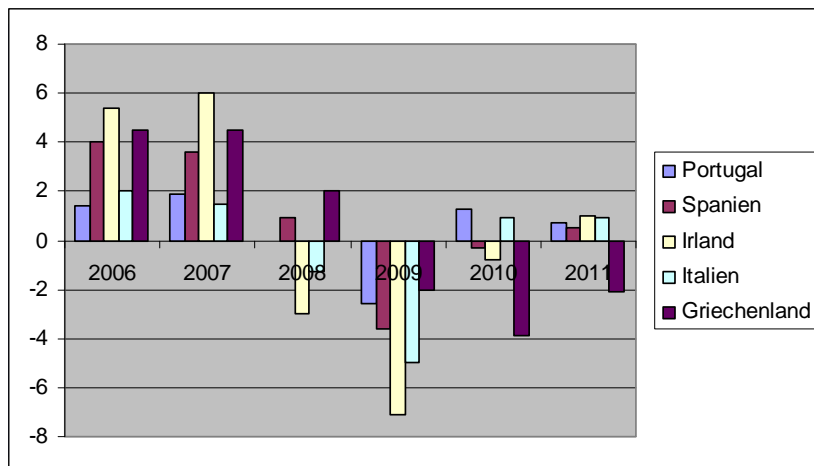


Das traditionelle deutsche Wachstumsmodell

Überblick über die Wachstumsraten (in %), 2006-2011



Das traditionelle deutsche Wachstumsmodell



Das traditionelle deutsche Wachstumsmodell

