

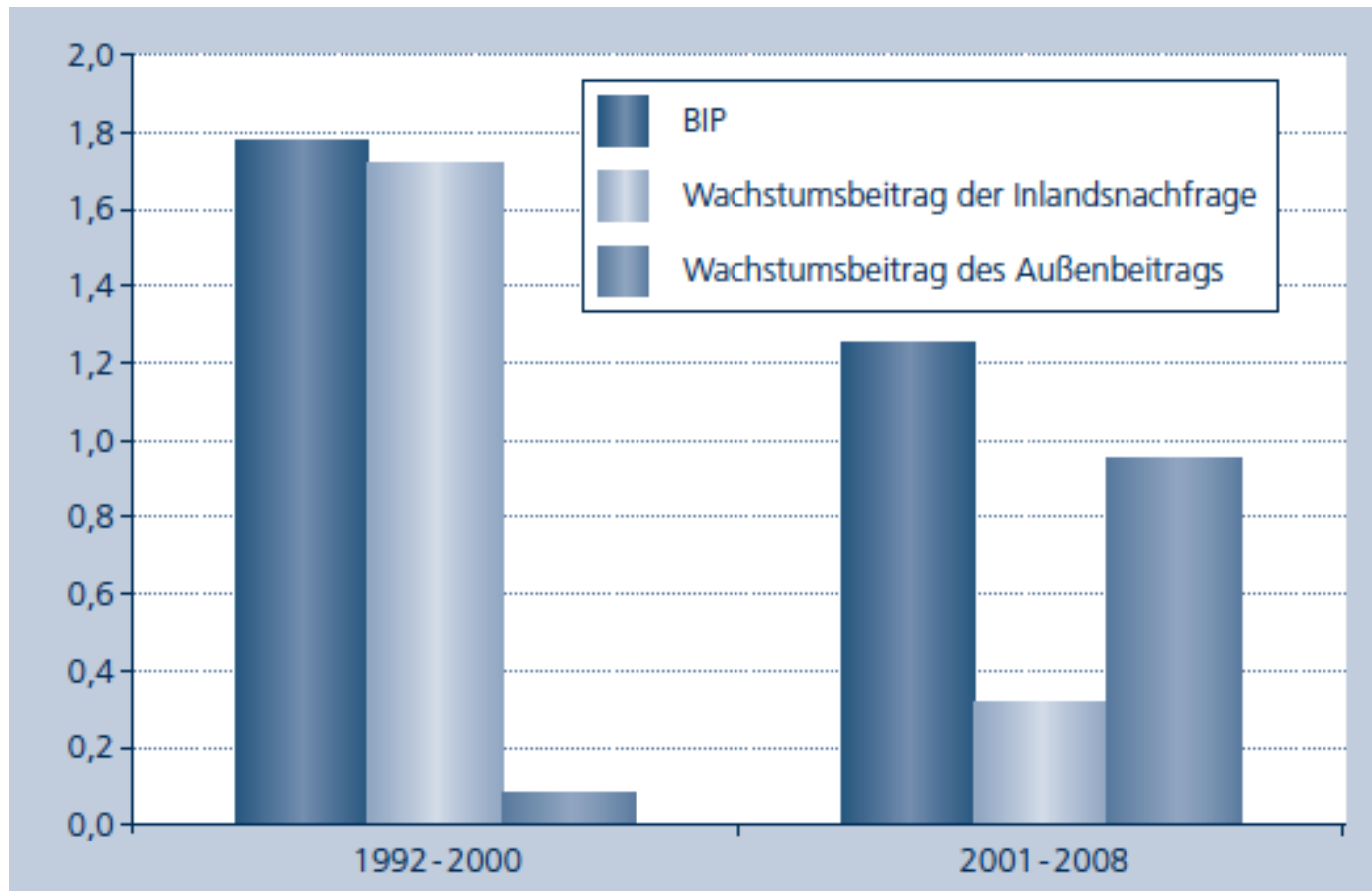
# German capitalism and the global crisis: part of the solution or part of the problem?

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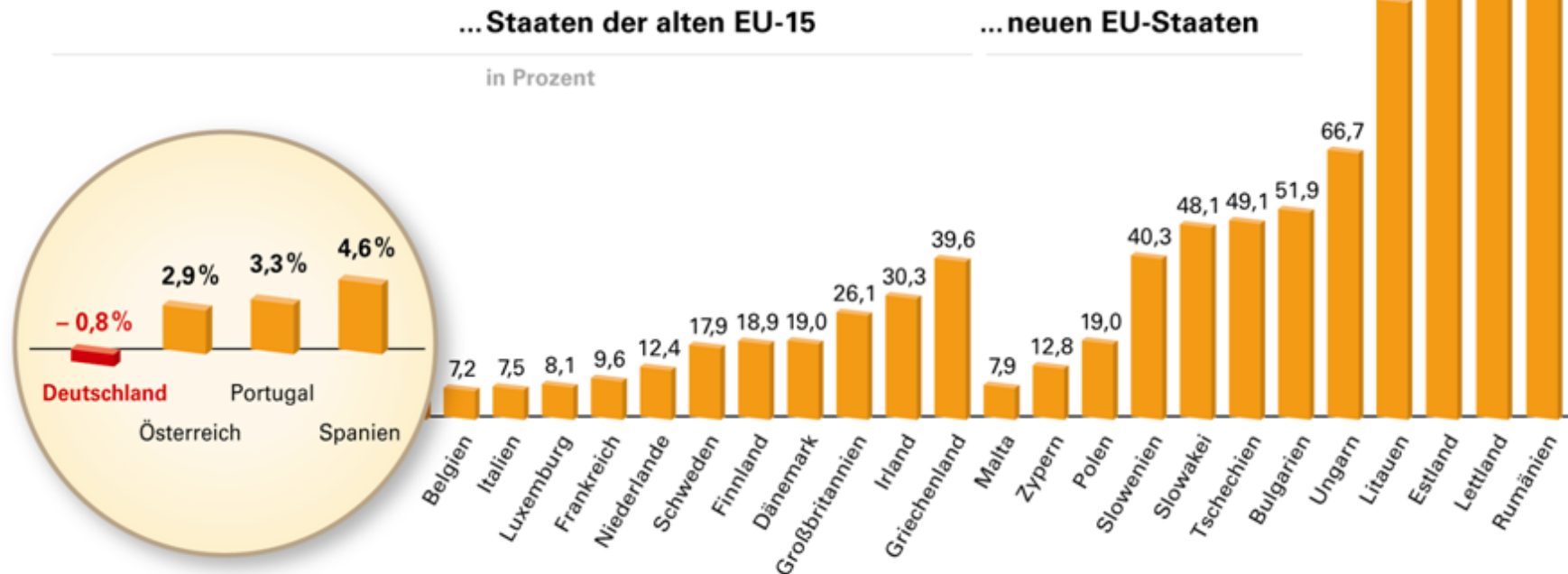
## Input of domestic demand and current account surplus to GDP growth



Source: Prieue/Rietzler 2010, p. 65

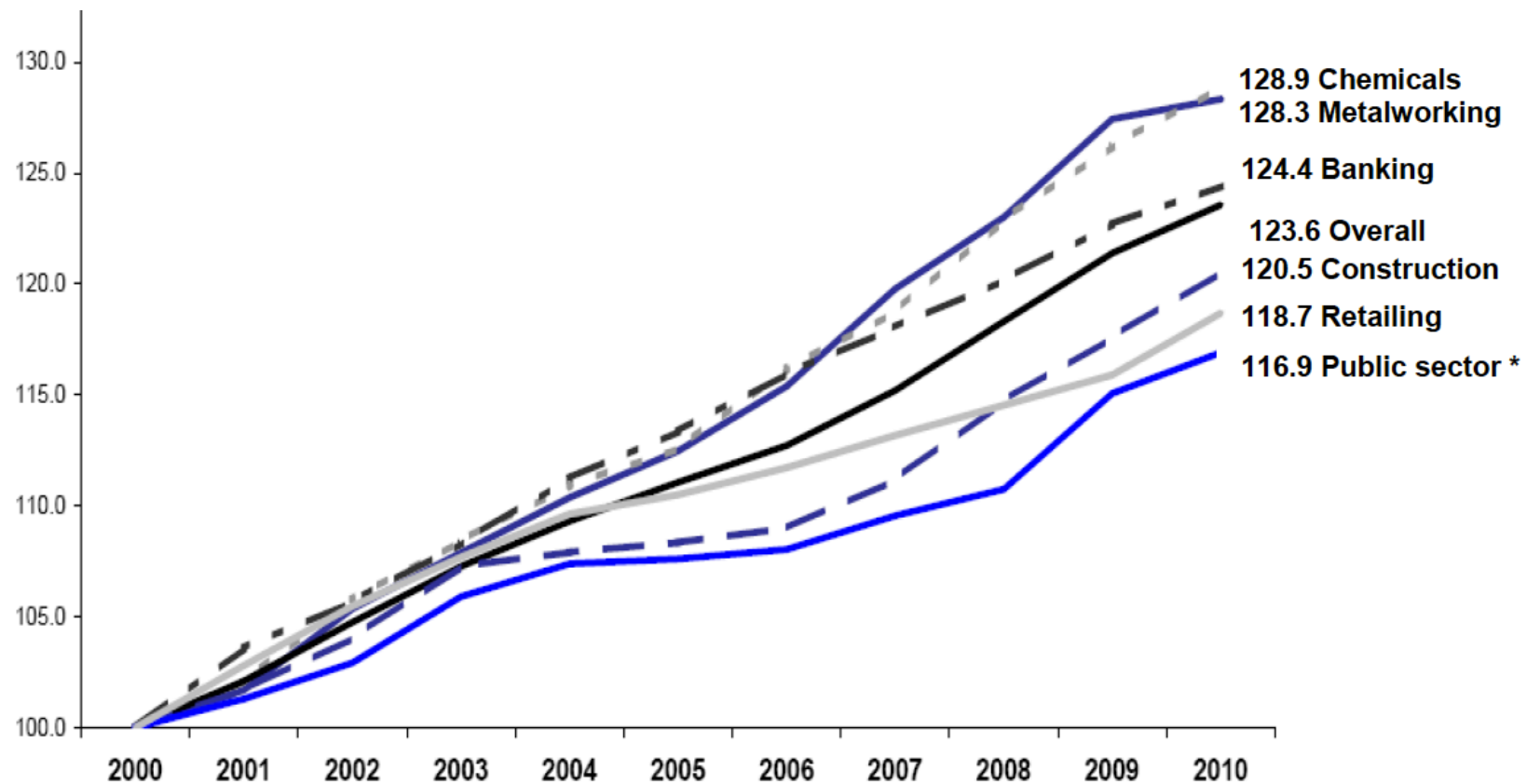
## Gross real wages growth per capita, 2000-2008

Im Zeitraum 2000 bis 2008 entwickelten sich die Reallöhne pro Kopf\* in den...



\* Realeinkommen aus unselbstständiger Arbeit einschließlich Arbeitgeberbeiträge zur Sozialversicherung; Werte für 2008 aus der Frühjahrsprognose der EU-Kommission  
Quelle: Europäische Kommission, Berechnungen WSI 2008 | © Hans-Böckler-Stiftung 2008

## Nominal wages as agreed in collective bargaining\*



\* from 2005: Regional governments (Länder)

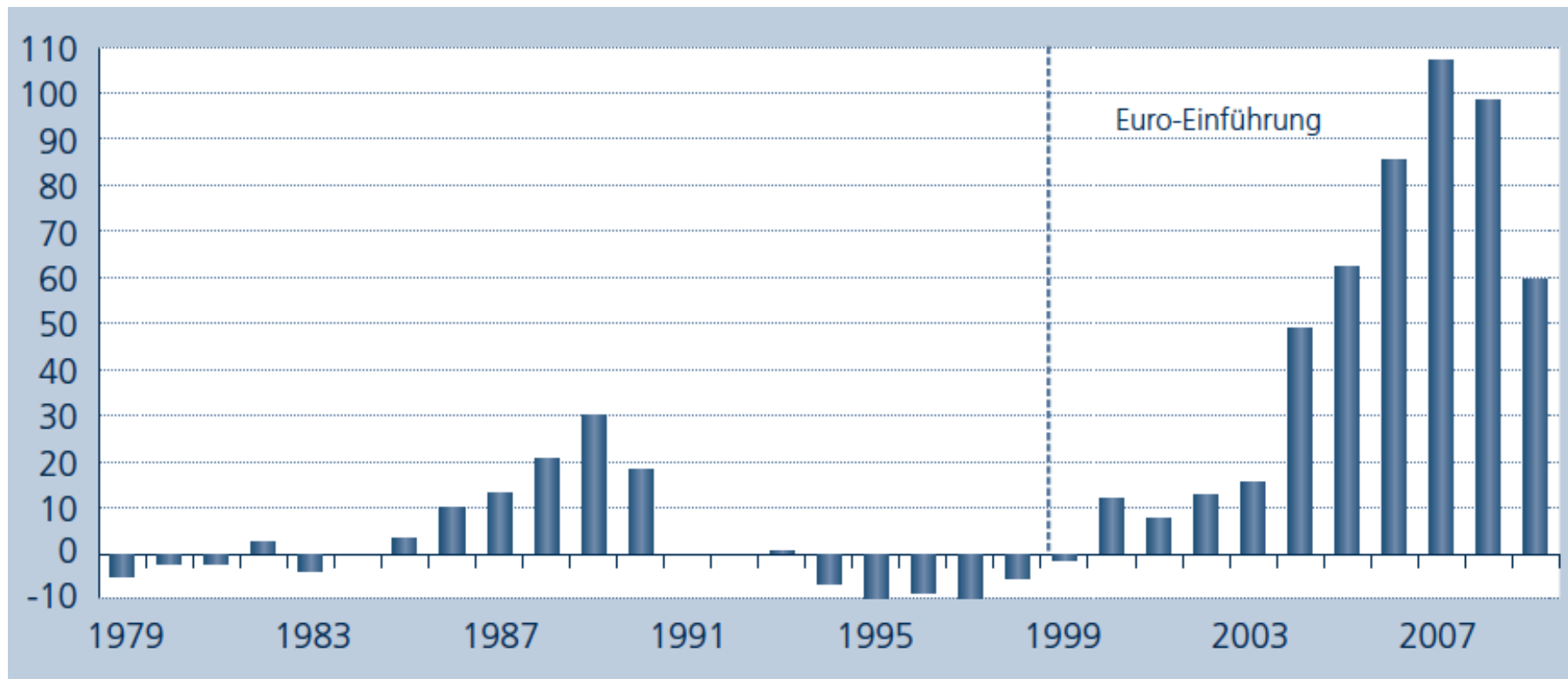
\* West Germany, 2000 - 2010

Source: Bispinck, WSI Report 6, 2011

## What is behind ‚wage moderation‘?

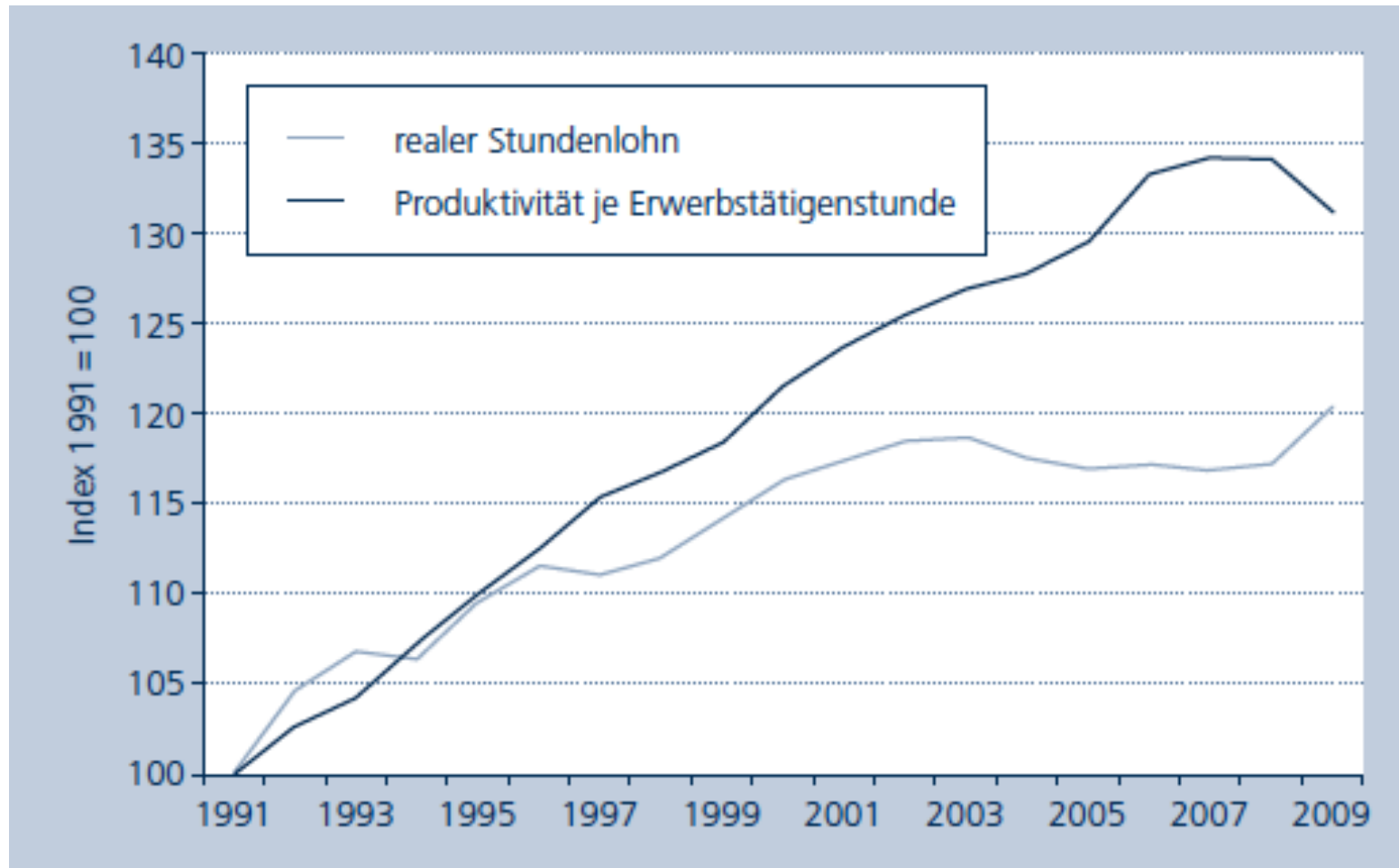
- Breakup of pattern bargaining → widening gap mfg-services
- Drop in bargaining impact due to
  - Drop in coverage (East *and* West)
  - De-facto abolition of extension mechanism
  - Local derogations from industry standards
- Fragmentation of bargaining structures due to
  - Outsourcing
  - Soaring temp agency labour
  - Privatisation
  - Break-up of bargaining structures of public employers
- ‚Labour market reforms‘ -> push towards dualisation of LM
  - ‚Mini jobs‘
  - pressure on wages

## Current accounts of Germany with Eurozone (bn €)



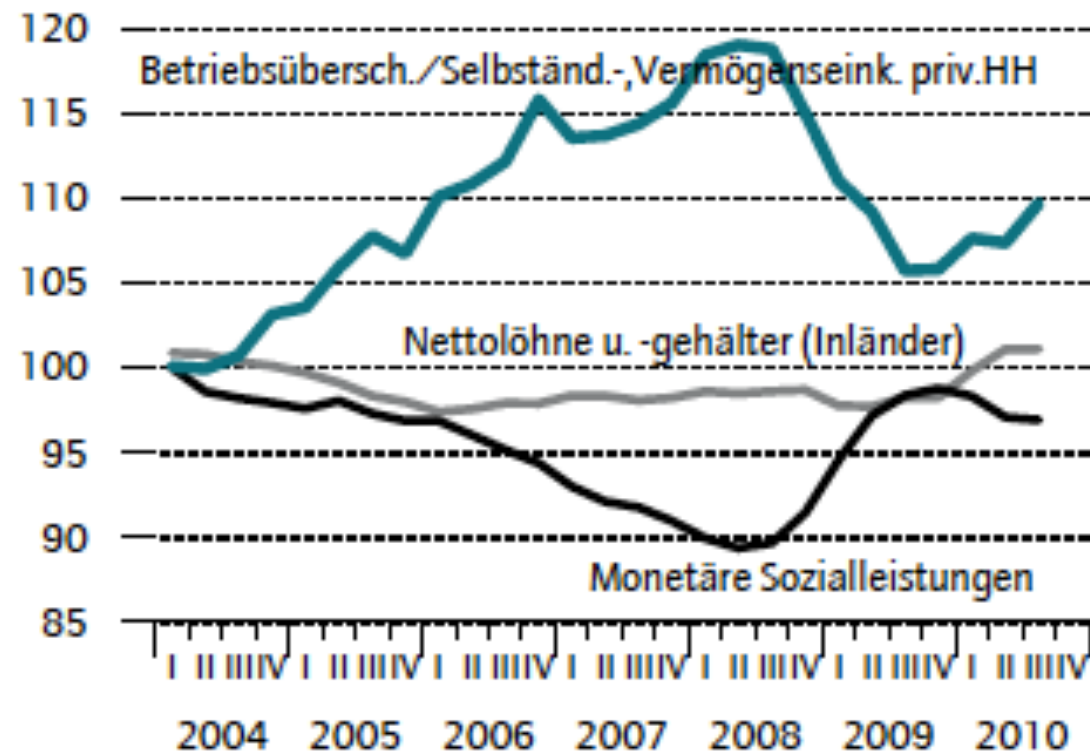
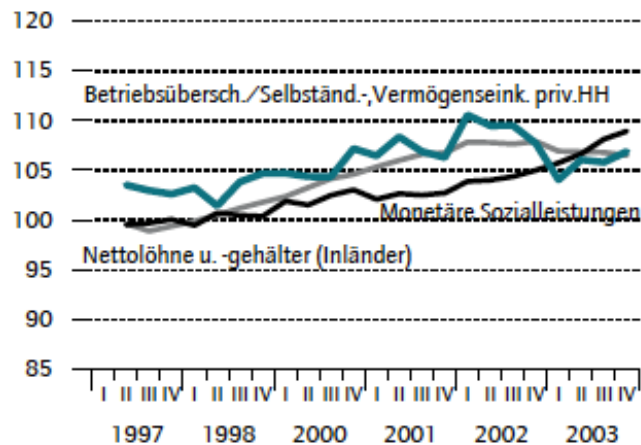
Source: Joebges / Logeay / Stephan / Zwiener FES 2010

## Labour productivity per hour and real hourly wages



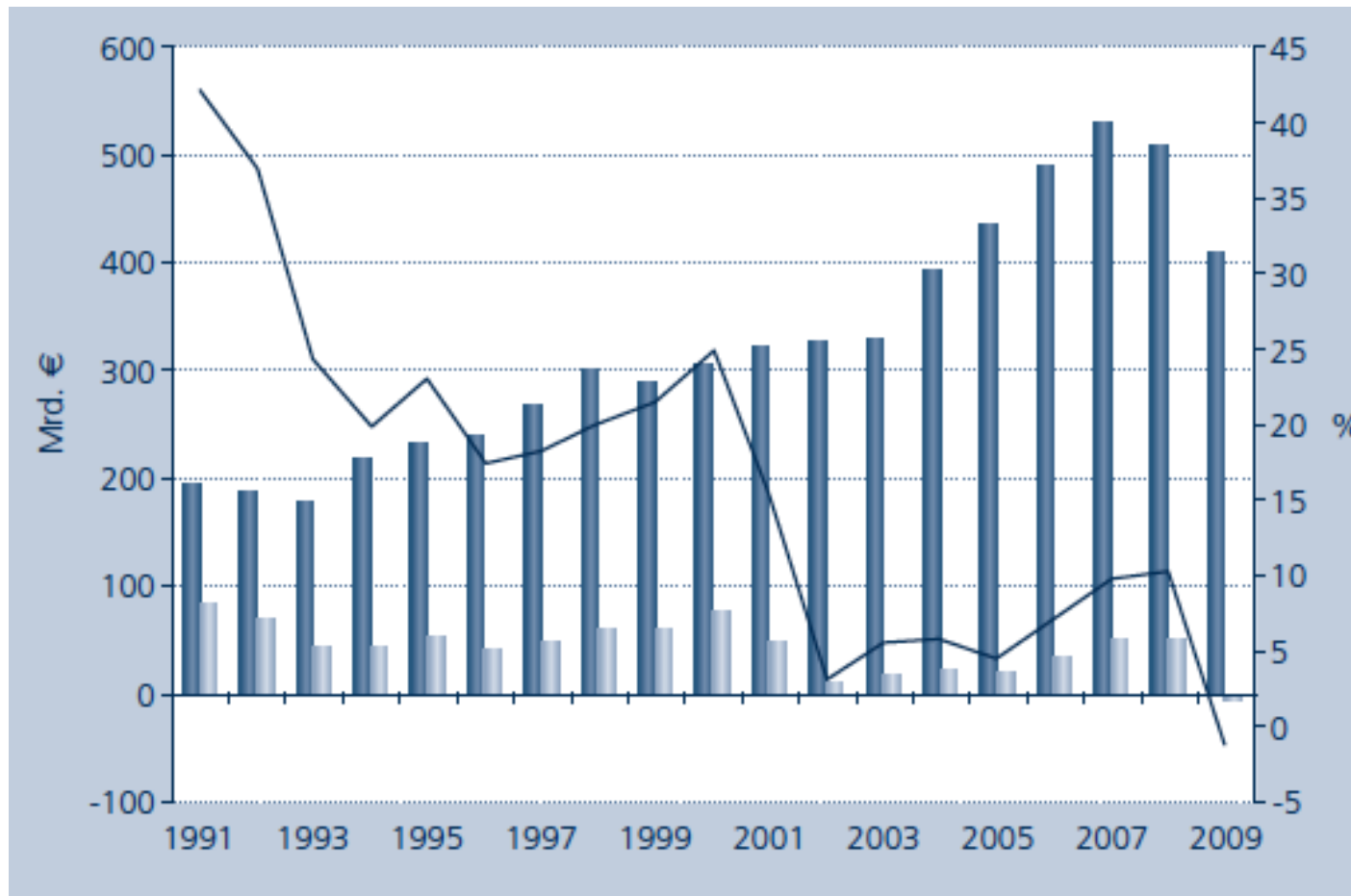
Source: Priewe/Rietzler FES 2010, p. 63

## Labour and capital income, by business cycle






## Corporate profits and net investment



Source: Priewe/Rietzler FES 2010, p. 37

- Unternehmensgewinne (linke Skala)
- Nettoinvestitionen der Unternehmen (linke Skala)
- Nettoinvestitionen in % der Gewinne (rechte Skala)

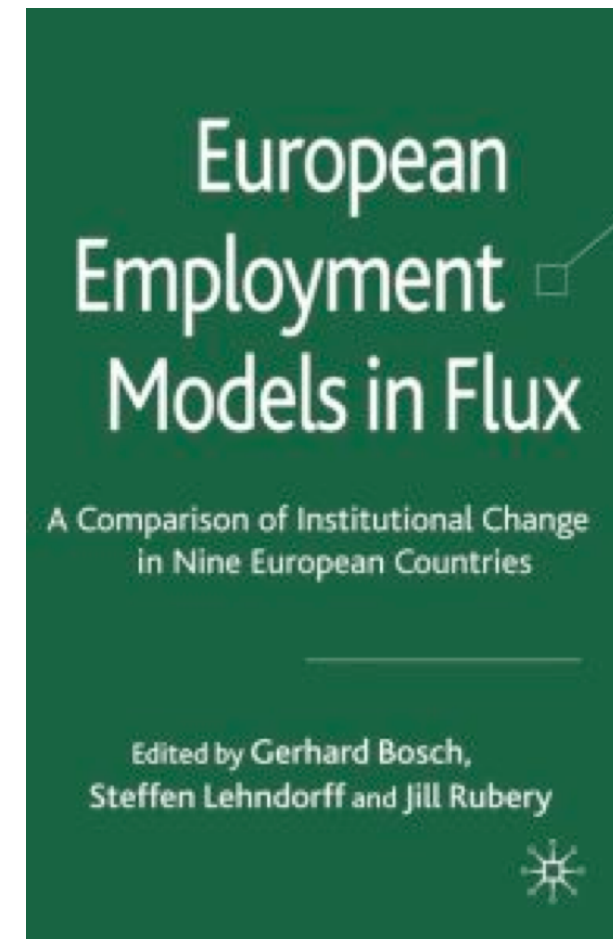
## Preparing the ground: interactions in the German model

<p>Production regime</p>	<p>„German lean production“ <i>plus</i> boost in price competitiveness within Euro zone due to below average inflation rate through ... </p>
<p>Employment regime</p>	<p>... Fragmentation of employment regime =&gt;</p> <ul style="list-style-type: none"> <li>• soaring income inequality</li> <li>• <i>stagnating domestic market – <u>dependency on net exports</u></i></li> </ul>
<p>Welfare regime</p>	<p>Substantial tax cuts =&gt; break-up of institutional basis for dissemination of economic success =&gt;</p> <ul style="list-style-type: none"> <li>• lagging investment into infrastructure for education / gender equity / ageing society</li> <li>• <i>profits-investment gap =&gt; capital export</i></li> </ul>

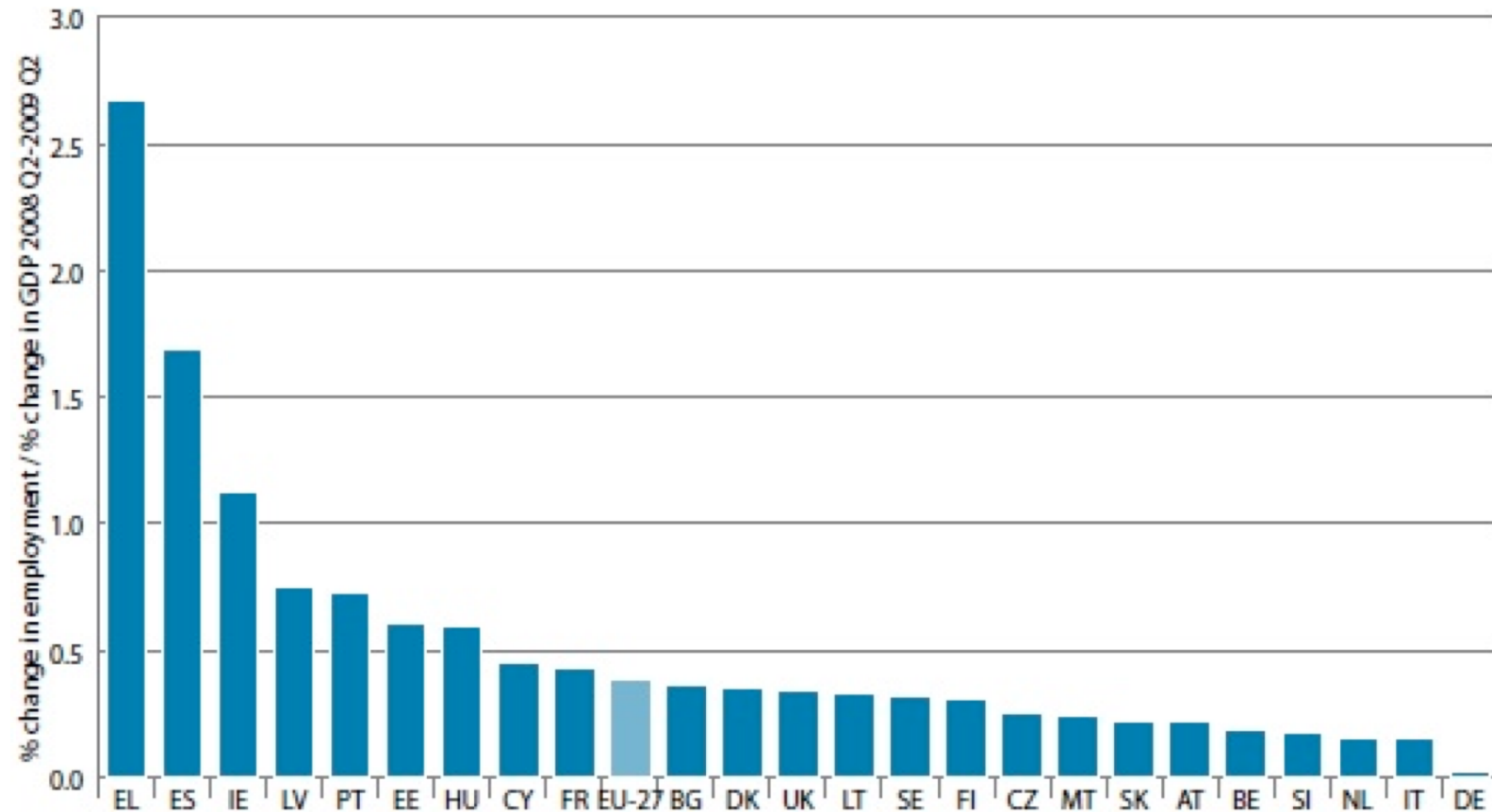
## Two lessons

Lesson 1 - Before the crisis:  
Dismantling of major pillars of  
German model helped to prepare the  
ground for the crisis

Lesson 2 – In the crisis:  
Surviving elements of model  
stabilised economy and labour  
market in the crisis

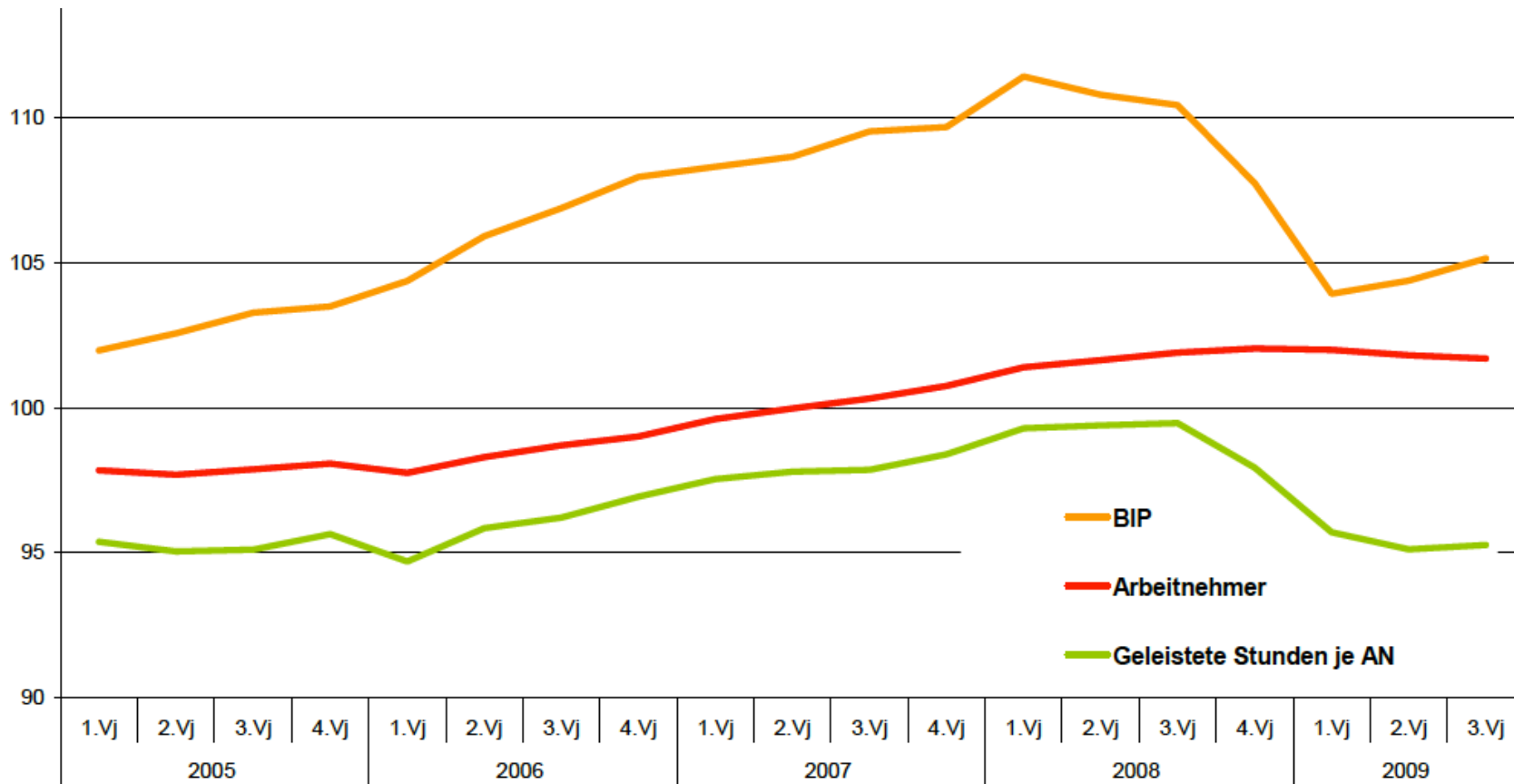


## Elasticity of employment decline to GDP contraction



Source: European Commission (2009)

## External and internal flexibility in the crisis

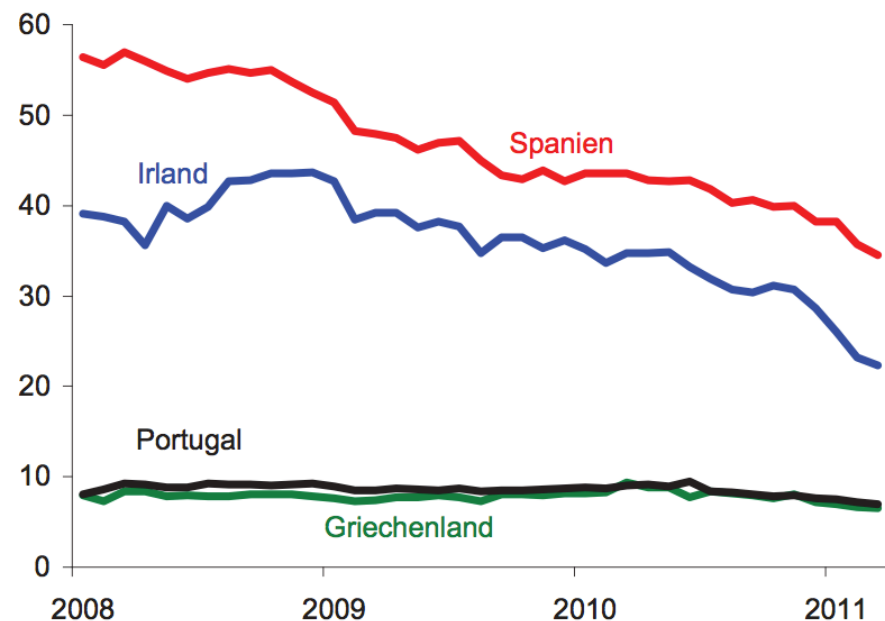


Index 2000 = 100  
Source: IAB

## What next?

- quick start from stand-by mode, but ...
- ... hidden vulnerability:
  - net export bias
  - dualisation of LM
  - austerity dogma
  - repercussions from Euro crisis

## Eurozone receivables of German banks\*



\* As per cent of equity capital of German banks

Source: IMK

## Upcoming conflicts

- Minimum wage + equal pay (+ extension of c.a.)
- Austerity approach
  - -> tax base of municipalities
  - -> tax base for ‚social investment‘

Sustainability of German growth model?

Trying the impossible: Imposing the German way on the EU

# The new EU organigram? The ,obedient hegemon'

