

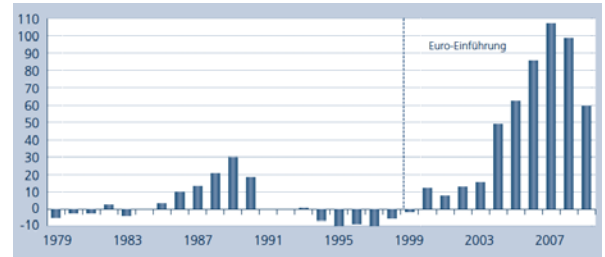
German capitalism and the European crisis: part of the solution or part of the problem?

Steffen Lehndorff
IAQ

JSC Study Day
London
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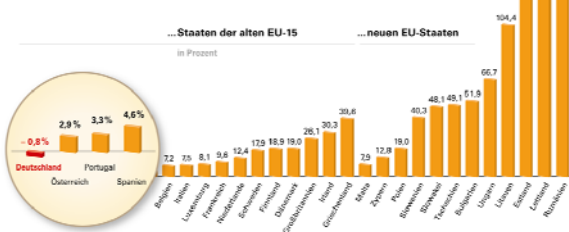
Current accounts of Germany with Eurozone (bn €)



Source: Jobges / Logasz / Stephan / Zwiener FES 2010

Gross real wages growth per capita, 2000-2008

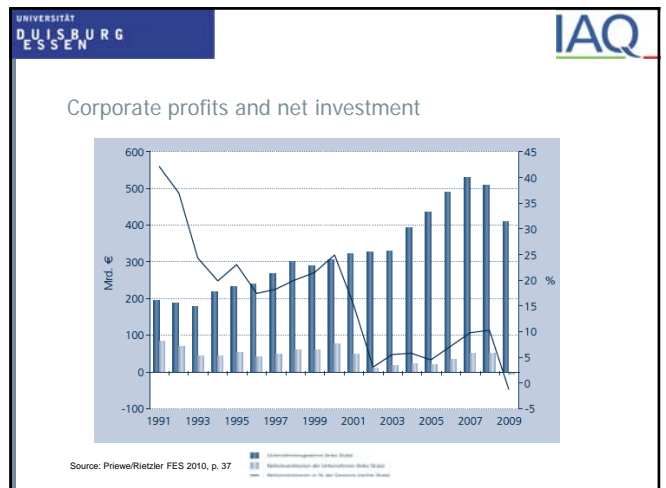
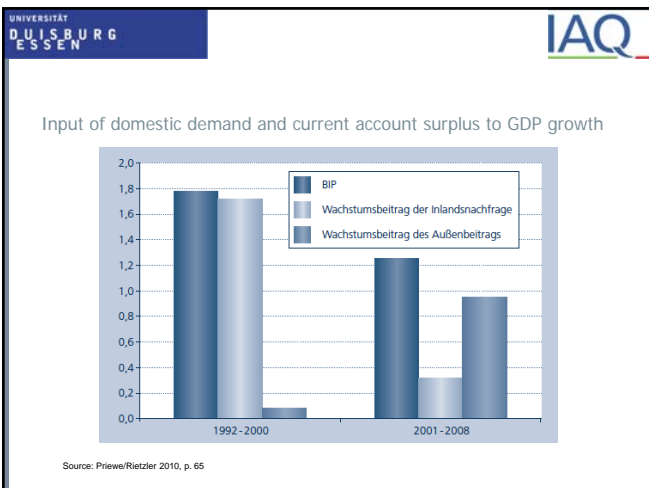
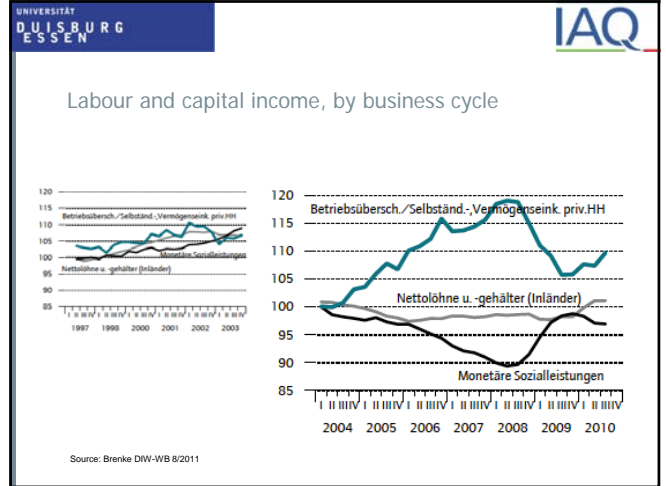
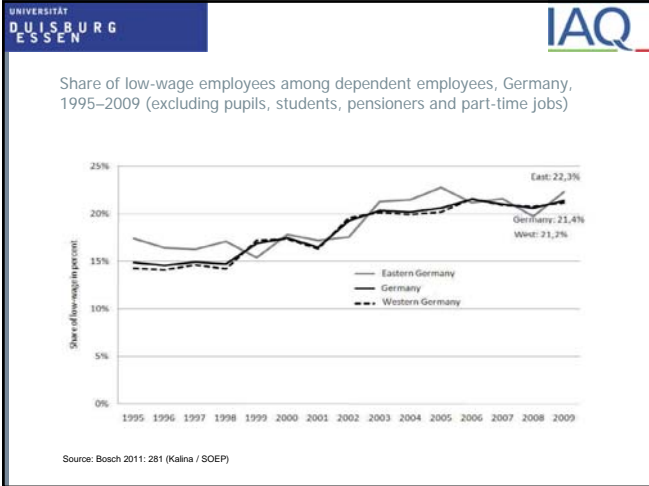
Im Zeitraum 2000 bis 2008 entwickelten sich die Reallöhne pro Kopf* in den...



*Reallöhne aus unvollständigen Arbeit einschließlich Afterschooler/teilweise zur Berufsvorbereitung. Werte für 2008 aus der Publikationsreihe der K12 Kommission
Quelle: Europäische Kommission, Berechnungen IGS 2009 | © Hans-Gösta Giffing 2009

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



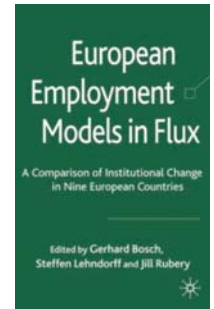
Preparing the ground: interactions in the German model

Production regime	„German lean production“ <i>plus</i> boost in price competitiveness within Euro zone due to below average inflation rate through ... ↘
Employment regime	... Fragmentation of employment regime => •soaring income inequality • <i>stagnating domestic market – dependency on net exports</i>
Welfare regime	Substantial tax cuts => break-up of institutional basis for dissemination of economic success => •lagging investment into infrastructure for education / gender equity / ageing society • <i>profits-investment gap => capital export</i>

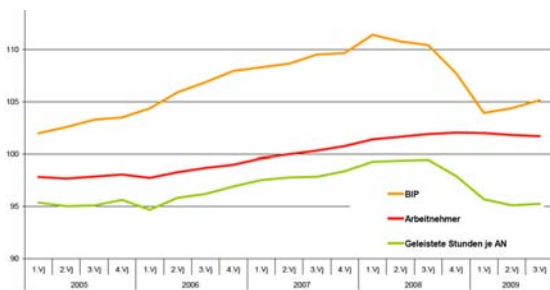
Two lessons

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

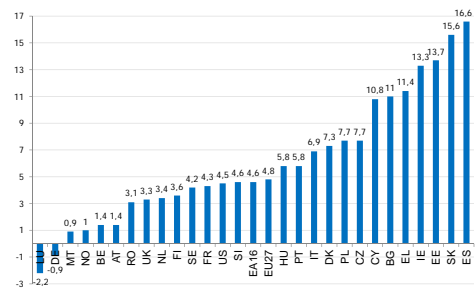


External and internal flexibility in the crisis



Index 2000 = 100
Source: IAB

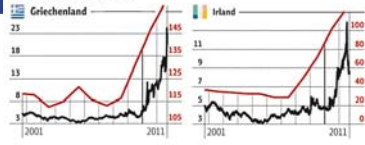
Increase in unemployment rates among youth < 25, Sept. 2008 - Sept. 2010 (in ppts.)



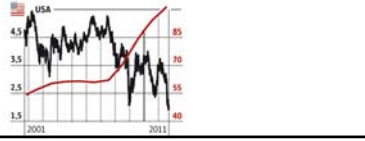
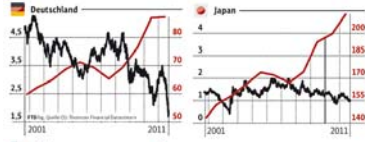
Source: Bosch 2011 (Eurostat)

Der Markt läuft hinterher ...

— Zinsen auf 10-jährige Staatsanleihen in %
— Staatsschulden in % des BIPs



... oder in die falsche Richtung



The new EU organigram? The 'obedient hegemon'

