The German (Rhine) Model

- Germany: Europe’s largest economy
- GDP per capita: $_________ (US = $_________)
- Social market economy
  - government owns _______________
- principles of consensus, group action, and long-term consequences
  - coordination and following gov’t guidance
  - the German constitution (Basic Law) explicitly lays out the economic and social goals
- market principles subject to social regulation →

The German (Rhine) Model

- roots of the welfare state → _______________
  - gov’t funded soc. security, health insurance, and worker compensation
- _______________
  - many companies privately owned
    - no need to appease the _______________
  - financing by local banks rather than capital markets
    - no desire for large leverage (debt) →
    - modesty →
  - Oligopolistic markets →
The German (Rhine) Model

- **Mitbestimmung (___________________)**
  - Large firms required by law to have equal representation on their boards for both management and labor
    - workers have a say in the firms’ operations
    - work councils + election of workers to company supervisory boards
  - ensures that workers’ rights and jobs will be protected when decisions are made about where and what to produce
  - motives: peace between labor and management, reducing output lost to strikes, moderates wage demands to keep inflation in check

- **Labor market**
  - high skilled labor
  - dual-system of vocational training
    - classroom instruction + work experience
    - technical colleges very important
  - worker loyalty
  - Agenda 2010 (in 2003)
    - structural reforms to ↑ growth + ↓ unemployment
  - wage _______________

- **Banking system - three pillars**
  - private, cooperative, public (Savings + Landesbanken)

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EU and the Euro

- One of the original members of the ECSC (1951)
- European Union (1993)
- The euro (1999/2002)
  - single currency + unified monetary policy
  - ECB in _______________
- Large benefit from the euro (_______________)
  - low ______ growth
  - should show solidarity?
- Reluctant to help Greece?
  - German politics → preference for consensus
Germany today

- unemployment: ___________
- standard of living higher in the west that the east
- dislike for inflation
- Europe’s locomotive
- consumption held low (austerity) → low debt/GDP
- strong exports →
- services lagging manufacturing (financial, etc)
- bubble in the property market?
- “coordinated market economy”