

One dramatic shift in Germany's political culture was the rise in post-materialist values (such as participation, feminism, the environment, and other quality-of-life issues) and a decline in bread-and-butter materialist concerns (such as economic growth, jobs, and order). In 1973, only 13 percent of Germans felt that post-materialist concerns were a priority, but 43 percent took that position in 1995.²⁴ Post-materialist values have become more pronounced in all advanced democracies, but they are by far the strongest in Germany—which perhaps explains why Germany has had one of the world's most successful Green parties.

Political Economy

Although the legacy of Nazism and war still casts a shadow over its national identity, Germany can be rightly proud of its economy. Many observers would assert that the *Wirtschaftswunder* ("economic miracle") of the 1950s and 1960s was in part a way for Germany to reinvest national energy and identity around institutions and projects that were removed from the symbols of the fascist past. This result is similar to what happened in Japan; in both cases, imperialism was replaced by occupation and demilitarization, followed by rapid industrial growth with the support of the United States.

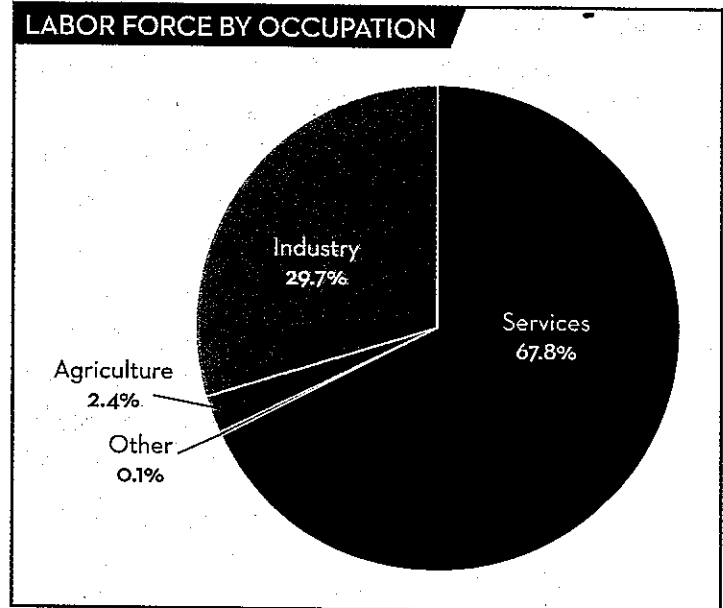
The German political economic structure is manifestly capitalist, but within a social-democratic mold. German political culture strongly emphasizes the importance of collective rights within the context of private property and the marketplace. This view can be found across both the left and the right: those on the left are influenced by social-democratic ideas of the state role in the economy (the SPD emphasizes social justice and solidarity), and those on the right are shaped by Christian-democratic values that similarly favor a "moral" marketplace (what the CDU calls a "social market economy").

One of the most important institutional expressions of this emphasis on consensus in the economy is German **neocorporatism**. By *corporatism*, we mean a system in which the ordinary elements of civil society, such as unions, are sanctioned by the state and given authority to represent particular groups. This system can be found in some authoritarian countries and was part of the Nazi system of totalitarian control. In contrast, neocorporatism is a democratic variant in which business, labor, and the state work within an explicit framework to guide the economy toward particular goals. While many European countries have elements of neocorporatist policy making, Germany has a particularly strong model. Beginning in the 1960s, in an attempt to stimulate economic growth, German

governments sought to bring business and labor groups together to negotiate labor agreements and to coordinate economic policy. For decades the German state regularly coordinated meetings between the main labor and business representatives. Beyond the call for regular meetings, one particularly controversial aspect of German neocorporatism is **codetermination**, a policy advocated by the Social Democrats that requires Germany's largest private firms to give unions half of all seats on their board of directors.

The neocorporatist model has been credited with fostering rapid growth rates and with limiting conflict between labor and business. However, the model has its critics. German business resisted codetermination and unsuccessfully fought it in the courts. German unions became extremely powerful, often at the expense of other civil society groups that were not part of the neocorporatist system. Critics on the left also argued that neocorporatism did not really give workers power over major economic decisions.

These concerns have been negligible for most of the postwar period, during which Germany developed a sophisticated economy (the fifth largest in the world) and one of the world's most prosperous societies. German industry is famous for its advanced industrial and consumer products, such as automobiles and chemicals, and built much of its economic structure around exports. However, by the 1990s, the economic miracle began to show signs of strain, for several reasons. First, one result of neocorporatism and a high degree of social expenditures has been the growing cost of labor. Over time, the German workforce has become less competitive as costs have risen. Second, thanks to globalization, other regional economies have rivaled German exports with their lower costs and increasing technical sophistication. German firms, too, have in many cases chosen to invest outside of Germany, especially in Eastern Europe, where German capital could find an inexpensive yet relatively productive workforce close to home. The expansion of the European Union eastward has only increased this investment, thus increasing concerns among Germans. Finally, although Germany has spent enormous amounts of money revitalizing eastern Germany (over \$100 billion per year since 1990), productivity, entrepreneurialism, and investment in that region



remain much weaker. Assumptions that massive government spending on infrastructure and new technologies would lead to significant private investment and growth in the east have not been borne out.

Growing concerns about the potential decline in German competitiveness in the global economy, a potential shortage of labor that could result from Germany's low birth rate, and rigid rules governing hiring and firing workers have led to reforms, although not without resistance. In 2003, the Social Democratic government proposed what was known as Agenda 2010, a series of measures meant to liberalize the economy. Agenda 2010 met with fierce resistance from labor unions in particular, which limited its implementation. However, changes that did occur included restructuring unemployment benefits, the generosity of which had led to a large number of permanently unemployed recipients. In addition, the increased pressures of the global economy have forced many labor unions to recognize that increased flexibility may be the only way to compete in the global market.

To be sure, Germany's economy faces myriad challenges, including a "graying population" and a shortage of skilled labor. But despite recent problems and looming challenges, the German economy continues to be among the world's strongest. In 2010, the economy grew at the fastest rate since unification in 1990, and unemployment dropped to its lowest level since 1992. Today Germany has a budget surplus, low unemployment, and a competitive economy that is growing steadily, if not spectacularly. Reflecting on the first six decades of the German Federal Republic, two scholars conclude:

The German social market economy remains . . . remarkably resilient, regularly vying for the title of the world's most important exporting country with China. Welfare provision remains broadly available and very comprehensive in scope. . . . Standards of living [remain high] (no matter how they are measured) and social dislocation nowhere near as obvious or deeply rooted as in many of Germany's closest allies.²⁵

Foreign Relations and the World

As in many other areas of German politics, the country's position in the international system is complicated and freighted with history. For the past half century, the legacy of Germany's role in World War II and subsequent denazification has been a strong sentiment of pacifism in the country and a wariness of national pride or patriotism. Even though Germany regained its sovereignty and rebuilt