

# International Summer Program

## European Integration



## Germany – An Introduction

*Kai Kohler, Monday, July 3, 2006*

# Germany – An Introduction

 **Basic Facts**

 **Economic Facts**

 **Political System**

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# Map of Europe



# Basic Facts about Germany and the EU

- 🌐 **Founding member of the European Union**

- 🌐 **Largest country in the EU  
in terms of income and population**

- 🌐 **World Champion in terms of exports**

*German exports are about 10 percent of total world trade  
—> about the same figure as compared with the USA*

- 🌐 **At the eastern border of the old EU (15)  
and at the center of the new EU (25)**

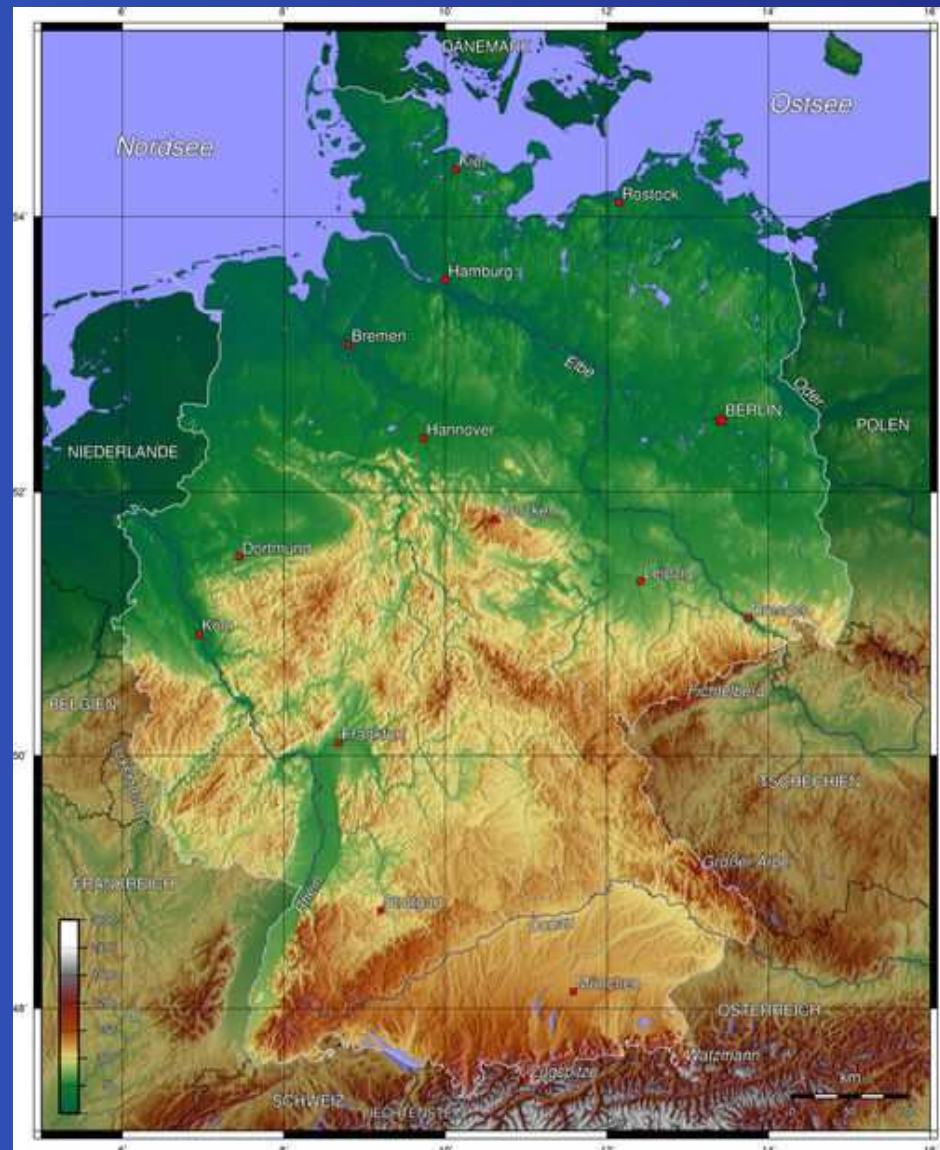
# Map of Germany



# Geographical Facts

- 📍 **Area: 357 000 sq km, slightly smaller than Montana**
- 📍 **Water: 7 798 sq km (US: 469 495 sq km)**
- 📍 **Arable land: 33% (US: 19%)**
- 📍 **Climate: warm in summer, snow in winter**
- 📍 **Highest point: Zugspitze 2 963 m**
- 📍 **Natural hazards: flooding**
- 📍 **Natural resources:  
not very much (coal, lignite, natural gas, iron ore)**

# Topographical Map of Germany





# Population Facts

- 📍 **Population: 82 422 299 (July 2006 est.)**
- 📍 **Labor force: 43 million (2005 est.)**
- 📍 **Population growth rate: - 0.02%**
- 📍 **Ethnic groups:**  
**German 91.5%, Turkish 2.4%, other 6.1%**  
**(made up largely of Greek, Italian, Polish, Russian, Serbo-Croatian, Spanish)**
- 📍 **Religions:**  
**Protestant 34%, Roman Catholic 34%, Muslim 3.7%, unaffiliated or other 28.3%**

# Basic Facts about Country and Culture

- 📍 **Capital: Berlin (formerly divided)**
- 📍 **16 states: 5 eastern, 10 western and Berlin**
- 📍 **National holiday: October 3 (1990 unification)**
- 📍 **Cultural life in Germany:**
  - about 400 theaters
  - 140 professional orchestras
  - 600 art museums
  - major book nation:  
80 000 new books and re-editions each year
  - 350 dailies and thousands of magazines

# Sports

- 📍 **Sports: favorite leisure-time activity**
- 📍 **Members of sports clubs: 27 million people**
- 📍 **Another 12 million partake in sports independently**
- 📍 **2.6 million people working in an honorary capacity as coaches, trainers, physiotherapists or officials**
  
- 📍 **National sport:**  
**The most popular sport in Germany is soccer, called "Fussball".**

# The FIFA World Cup 2006 Germany



## The FIFA World Cup in the Past

” ... Rahn had to shoot from behind ...”

Miracles do happen, you know.

The 1954 World Cup in Berne certainly was a miracle: Germany reached the final but faced the clear favorite, Hungary.

With only a few minutes to go, the match was tied at 2:2.

Suddenly Germany’s striker, Helmut Rahn, snapped up the ball and fired a powerful shot past Hungary’s goalie into the net.

A German sports commentator roared his legendary, virtually endless “TOOOOOOOOOOOOOOOOOOR, Tor für Deutschland” over the airwaves.

# The FIFA World Cup in the Past

Germany on July 7, 1990:

No matter where, East or West, North or South:  
up and down the country people came together on market  
squares flying black, red and gold tricolors.

Lines of cars weaved their way through German towns and  
cities, honking their horns.

What was the reason behind this outburst of joy?

## The FIFA World Cup in the Past

A few weeks before German reunification on October 3, 1990, the German football team beat Argentina 1:0 and became World Champion.

In Germany, the post-match party became a celebration of German unity, of the peaceful revolution that was about to lift the Iron Curtain separating Eastern Germany and Eastern Europe from the West.

Chancellor Helmut Kohl declared the Germans to be the "happiest, luckiest people".

# The FIFA World Cup 2006 - Economic Aspects

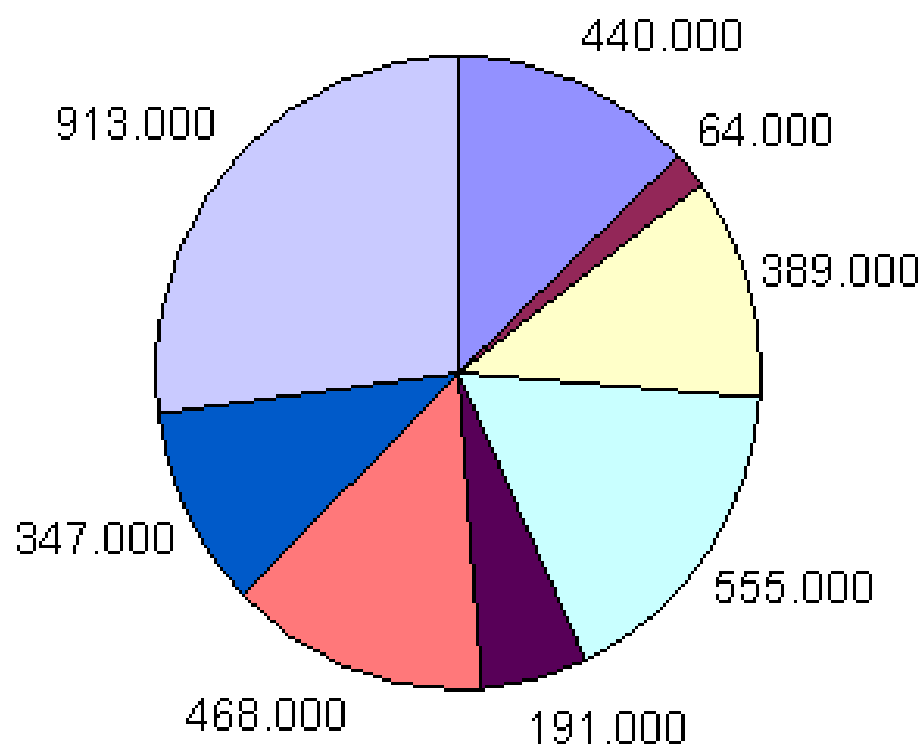
- 📍 **3.2 million guests, 1 million foreign**
- 📍 **Investment in infrastructure: 4.8 billion Euro**
- 📍 **Investment in stadiums: 1.5 billion Euro  
(compared to 1974: 242 million DM)**
- 📍 **Additional jobs: 60 000 (half of them permanent)**
- 📍 **Estimated additional growth of the GDP  
for the next years: 0.1 - 0.4 %**
- 📍 **TV and marketing rights of the FIFA:  
1.85 billion Euro**



# The FIFA World Cup 2006 - Tickets

## Verteilung der WM-Tickets

Quelle: Wikipedia, Deutschland (GNU FDL)



- Ehrengäste, Medien, Sicherheitsreserve
- TV-Rechteinhaber
- DFB-Familie (Verbände und Vereine)
- Partner und Förderer
- FIFA-Familie (nichtteilnehmende Verbände)
- Verkauf über die teilnehmenden Verbände
- VIP-Sitze, Logen
- Öffentlicher Verkauf

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# Key Economic Data

- 📍 **Annual economic growth:**  
recently increasing to about 2 percent
- 📍 **Unemployment: about 10 percent**  
*West Germany: 8 percent, East Germany: 18 percent*
- 📍 **Inflation: less than 2 percent**
- 📍 **Trade balance: surplus above 4 percent of GDP**
- 📍 **Fiscal budget: deficit above 3 percent of GDP**
- 📍 **Public debt: about 2/3 of GDP**

# Germany and the World

	<i>Agriculture % of GDP</i>	<i>Industry % of GDP</i>	<i>Services % of GDP</i>
<b>Germany</b>	<b>1.1</b>	<b>28.6</b>	<b>70.3</b>
<b>EU-25</b>	<b>2.2</b>	<b>27.3</b>	<b>70.5</b>
<b>USA</b>	<b>1.0</b>	<b>20.7</b>	<b>78.3</b>
<b>Canada</b>	<b>2.2</b>	<b>29.1</b>	<b>68.7</b>
<b>Brazil</b>	<b>10.0</b>	<b>39.4</b>	<b>50.6</b>
<b>Japan</b>	<b>1.3</b>	<b>25.3</b>	<b>73.5</b>
<b>World</b>	<b>4</b>	<b>32</b>	<b>64</b>

2005 est..

Source: World Factbook → [www.cia.gov/cia/publications/factbook/](http://www.cia.gov/cia/publications/factbook/)

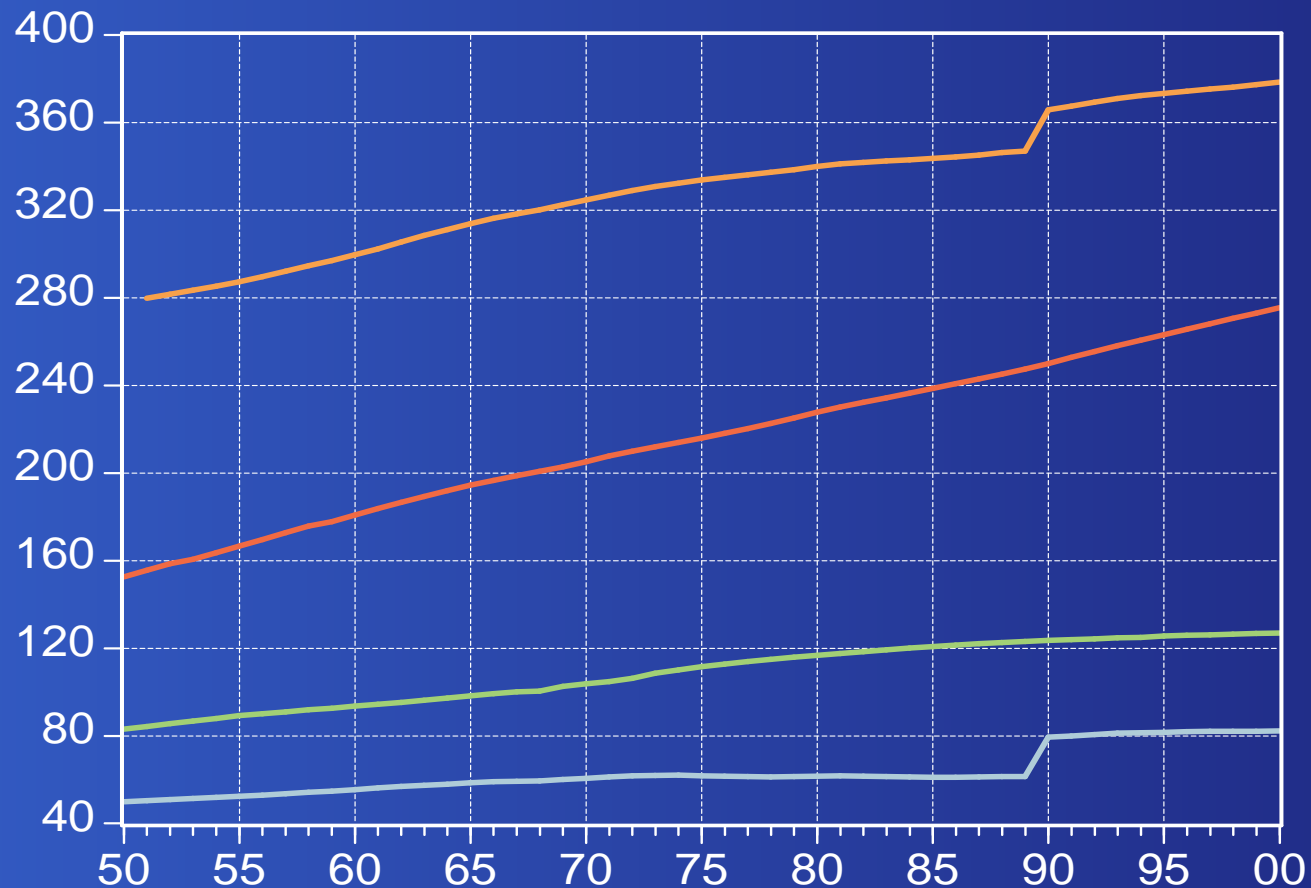
# Germany and the World

	income		population
	<i>total</i> <i>billion US \$</i>	<i>per capita</i> <i>US \$</i>	<i>million</i>
<b>Germany</b>	<b>2 504</b>	<b>30 400</b>	<b>82</b>
EU-25	12 180	28 100	457
USA	12 360	41 800	298
Canada	1 114	34 000	33
Brazil	1 556	8 400	188
Japan	4 018	31 500	127
<b>World</b>	<b>60 710</b>	<b>9 500</b>	<b>6 525</b>

2005 (GDP) and 2006 (population) est., purchasing power parities.

Source: World Factbook → [www.cia.gov/cia/publications/factbook/](http://www.cia.gov/cia/publications/factbook/)

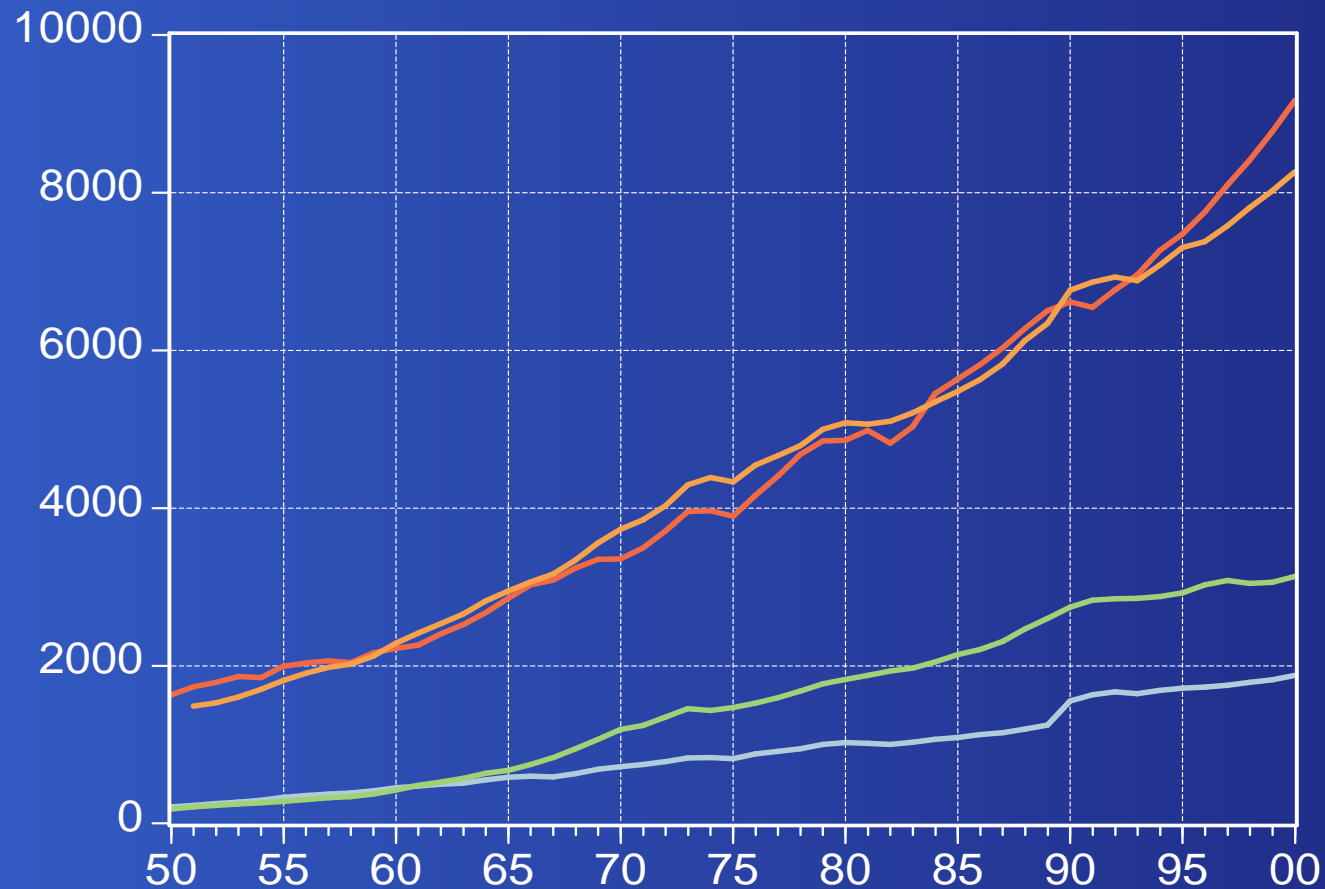
# The Development of the Population



– Germany – USA – Japan – EU-15

In millions.

# The Development of Real GDP

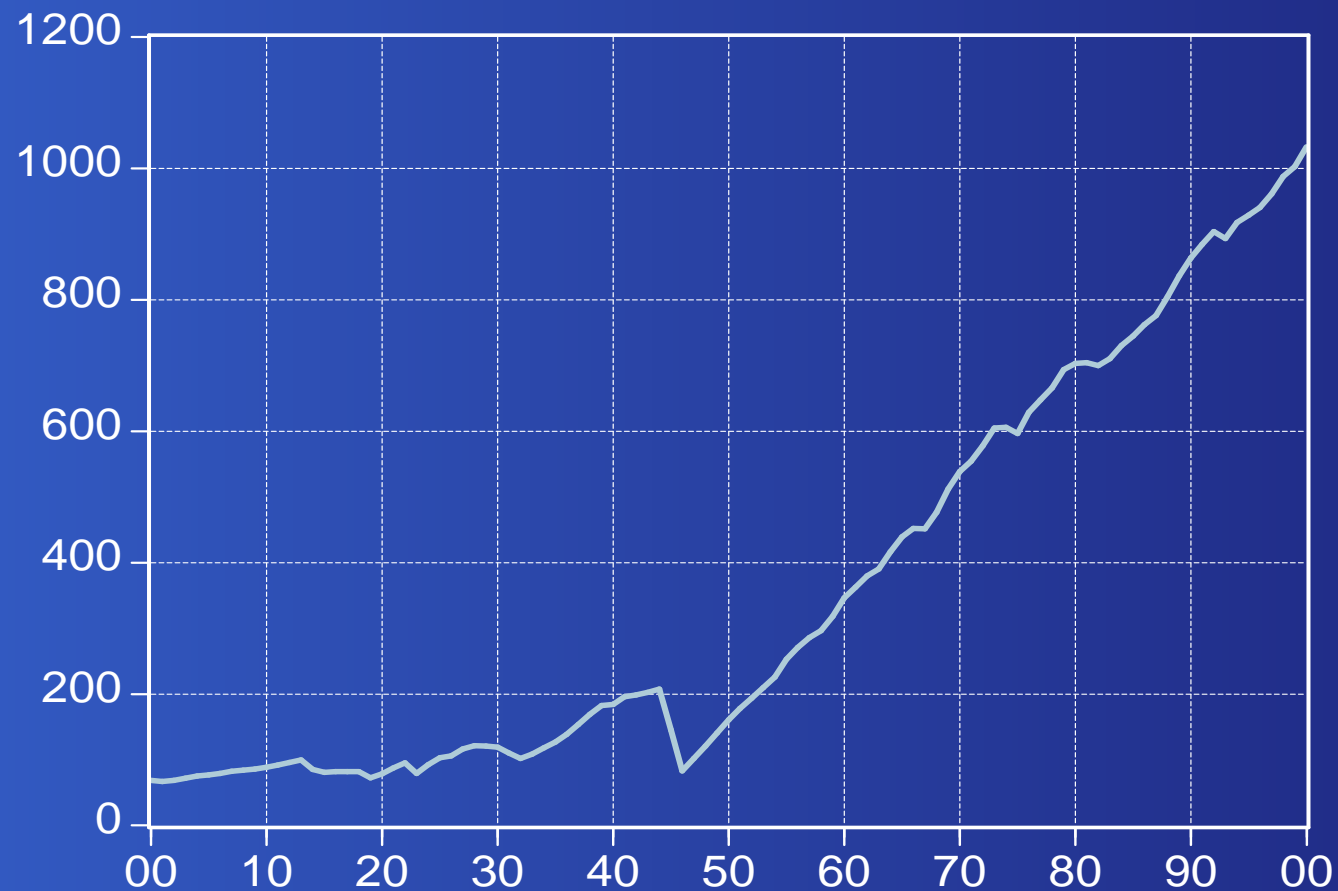


– Germany – USA – Japan – EU-15

GDP total, billion US \$, purchasing power parities 1996.

Source: Penn World Tables.

# German Economic Growth: A Long-run View



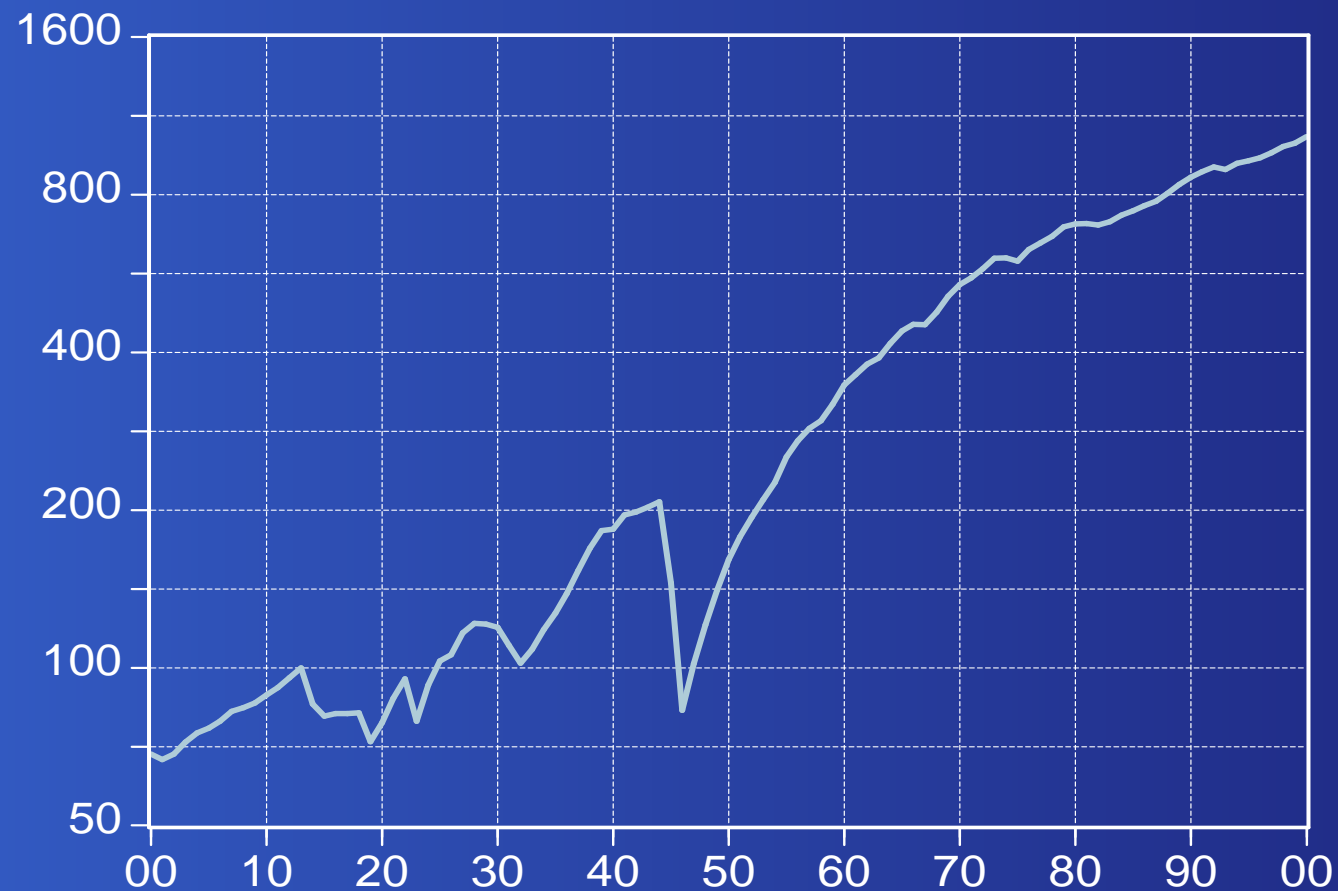
– index of real GDP

Index(1913)=100.

Source: Maddison.



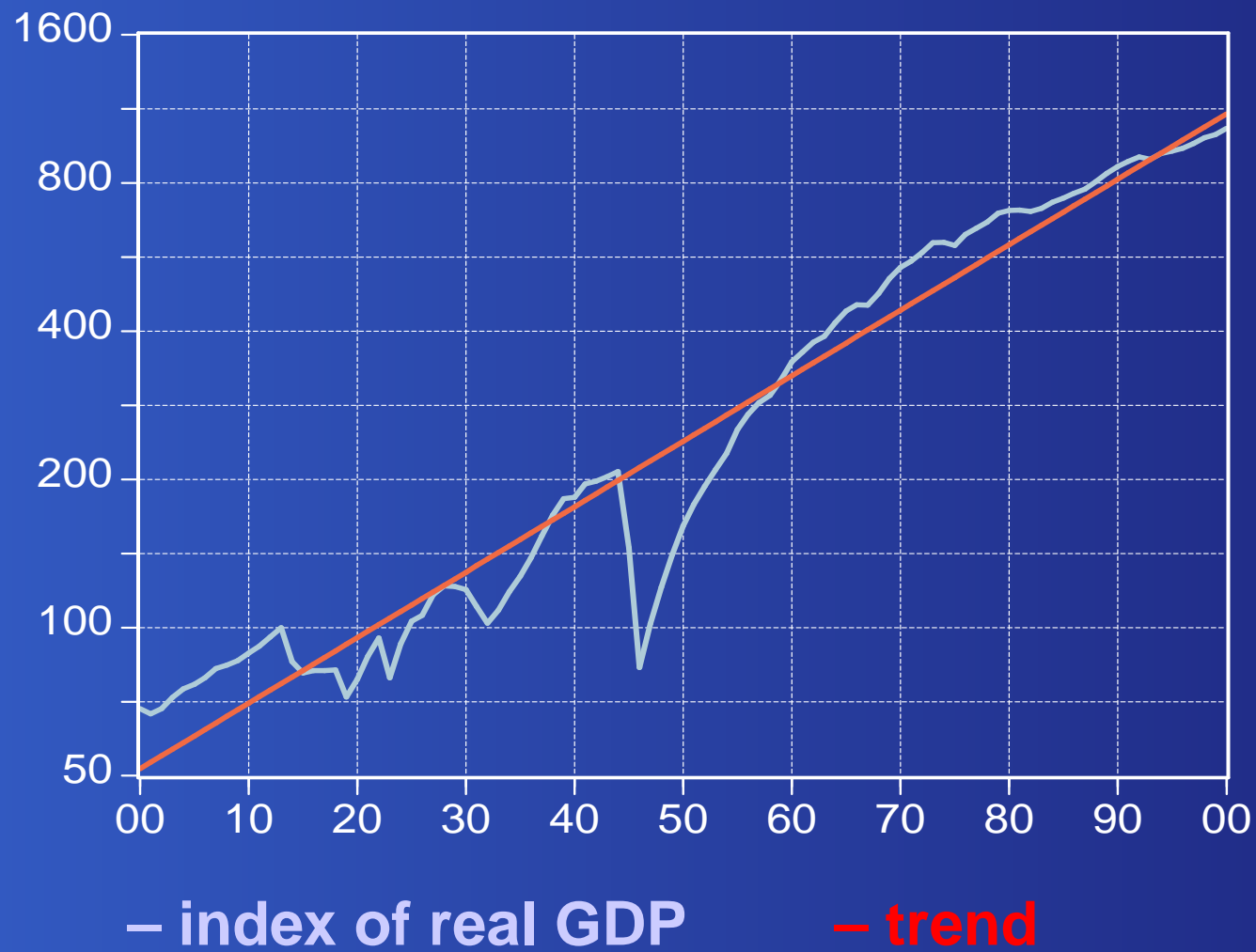
# GDP: A Logarithmic Scale



– index of real GDP

Logarithmic scale.

# Germany: Trend Growth

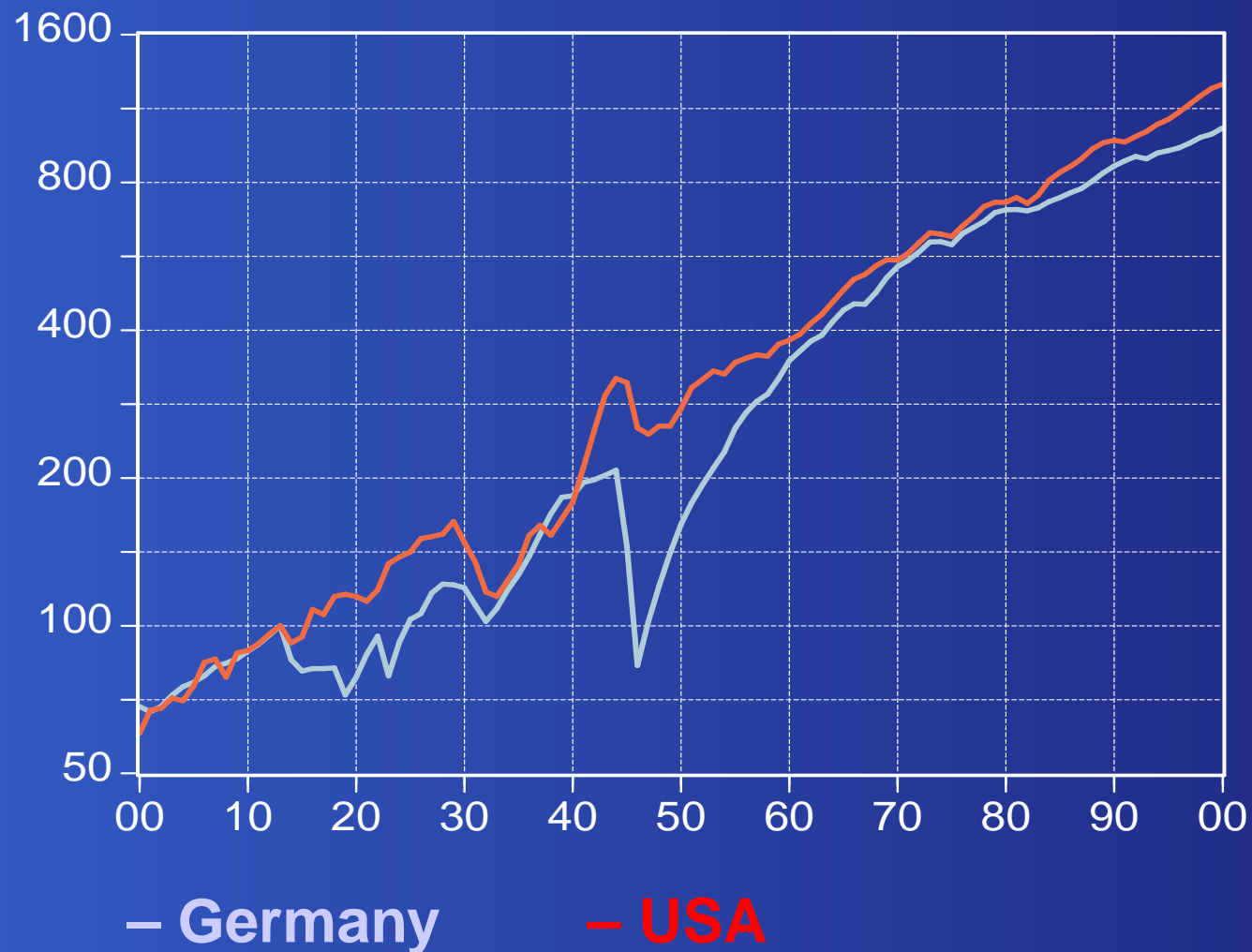


Logarithmic scale.

# German Economic Growth in the 20th Century

- 📍 **Trend growth of about 3 % per year**
- 📍 **This implies a doubling of income in 25 years**
- 📍 **This implies an increase from 100 to 1 600 in 100 years**
- 📍 **Despite two devastating world wars**
- 📍 **Fast recovery after World War II**
- 📍 **Slowdown of growth since the nineties**

# GDP Growth: A Comparison with the USA

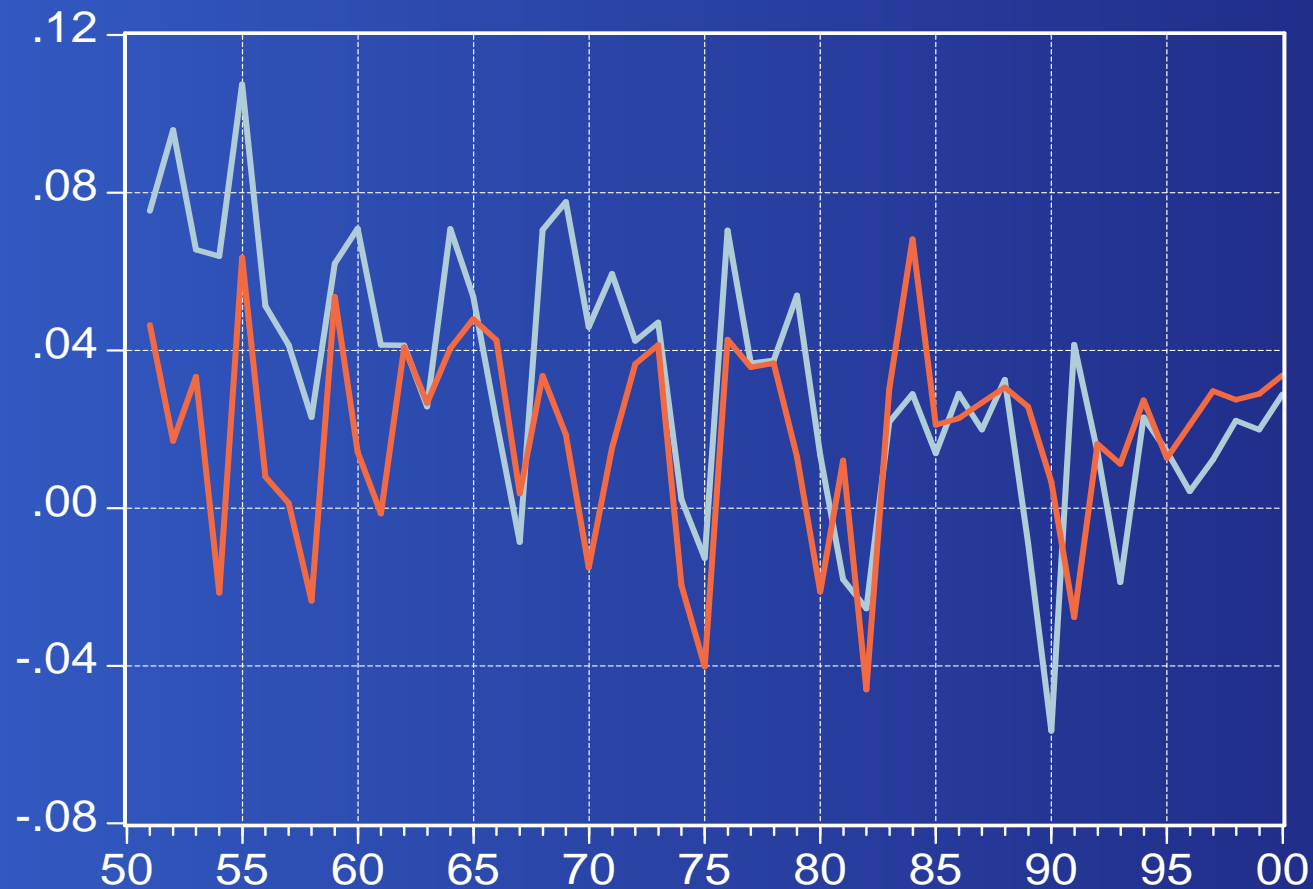


Index of real GDP, index(1913)=100, logarithmic scale.

# A Comparison with the USA

- 📍 **Similar growth trend in the 20th century**
  - *3 percent annual growth 1900 – 2000*
- 📍 **Higher growth rates after World War II until the eighties** → *catching-up*
- 📍 **Slower growth since the eighties**
  - *widening of the gap*
- 📍 **Reasons: working time, labor market problems**
  - *income gap: about 1/3*
  - *working time gap: about 20 percent*
  - *employment gap: about 10 percentage points*

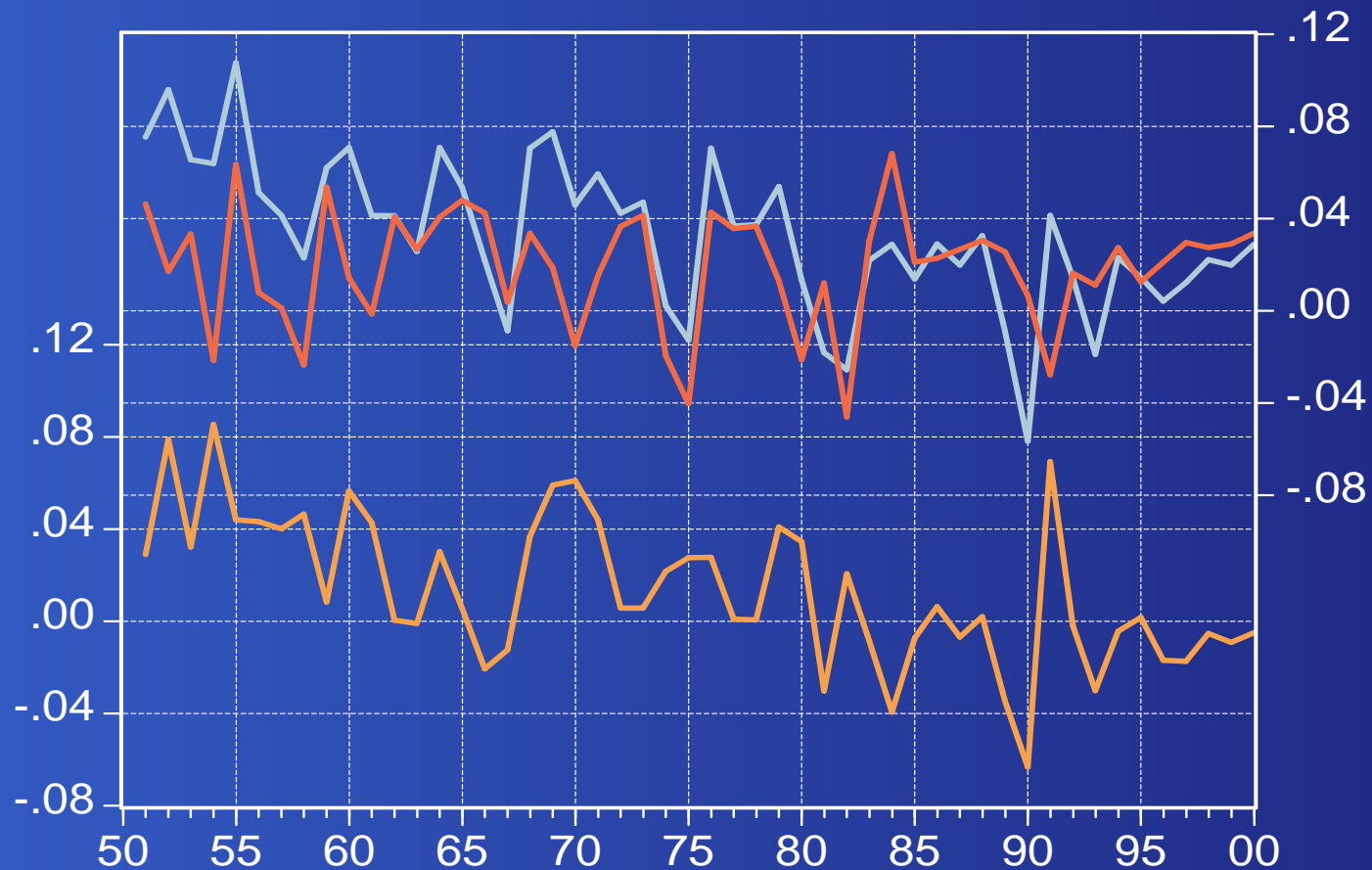
# Productivity Growth



– Germany – USA

Growth rate of GDP per worker, purchasing power parities 1996.

# Productivity Growth Differences



– Germany – USA – difference

Growth rate of GDP per worker, purchasing power parities 1996.

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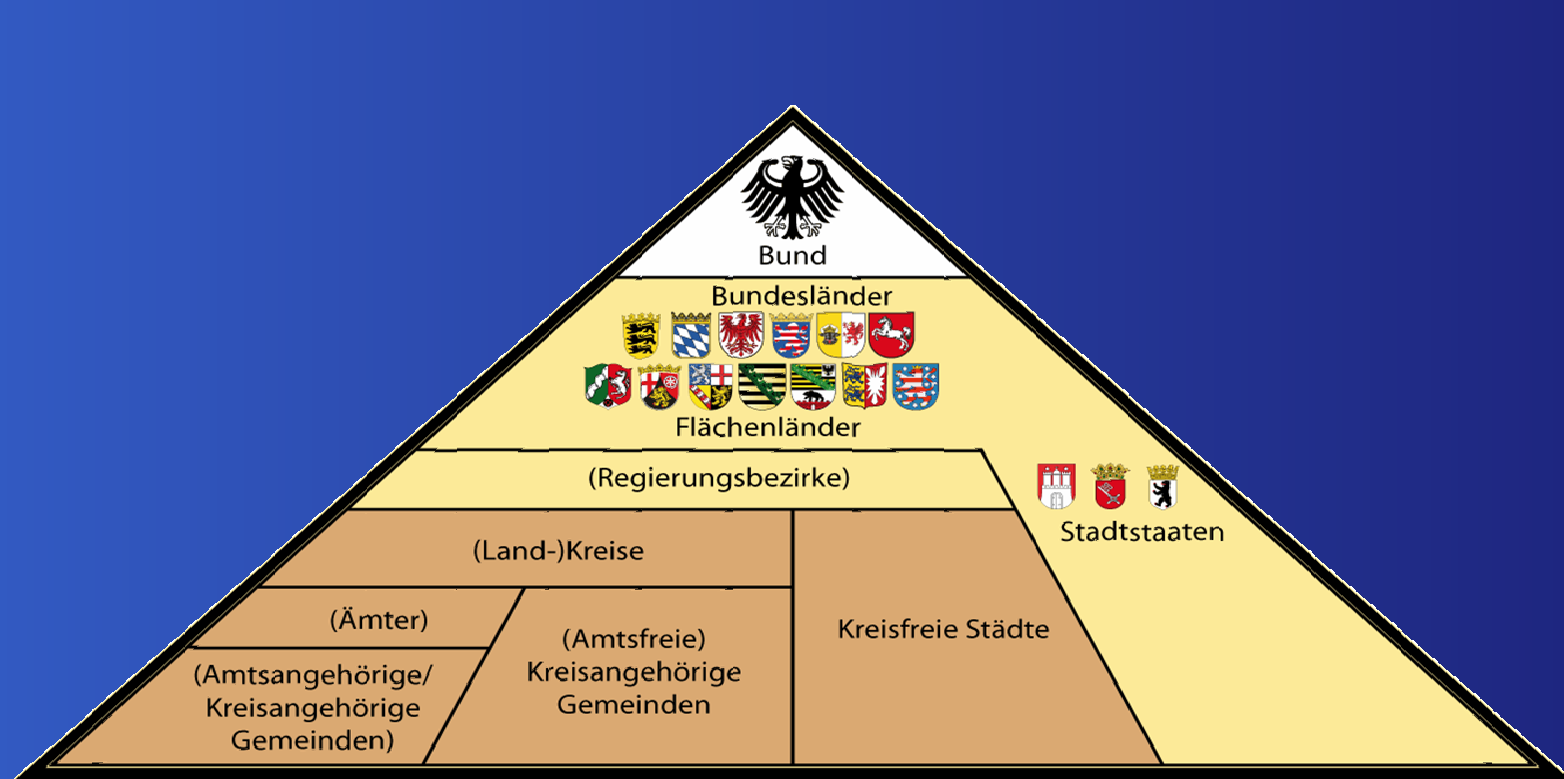
# Map of the German States



# Federalism

- 📍 **16 federal states (Länder, also referred to as Bundesländer)**
- 📍 **Rural districts, Landkreise, of which there are 323**
- 📍 **Elections for the parliaments every 4 to 5 years**
- 📍 **Heads of the federal states' governments are called Ministerpräsidenten (Minister-President)**
- 📍 **Executive branch mainly organized at the state level**
- 📍 **Basically police, education, cultural and communal affairs handled by state legislature**

# Federalism



# Federal Executive Branch

- 📍 **Chief of State: President Horst Köhler**  
– *former IMF Managing Director*
- 📍 **Head of Government: Chancellor Angela Merkel (CDU)**  
– *youngest and first female Chancellor of the Federal Republic of Germany*
- 📍 **Vice-Chancellor: Franz Müntefering (SPD)**  
– *Minister of Labor and Sozial Affairs*
- 📍 **Cabinet: Chancellor and 15 Ministers**  
– *7 of Christian Democrats, 8 of Sozial Democrats*

# Political Parties

## **Christian Democrats (CDU)**

- *leader: Angela Merkel*
- *together with SPD head of federal government*
- *together with FDP heads of most state governments*

## **Social Democrats (SPD)**

- *leader: Kurt Beck*

## **Alliance 90/Greens**

## **Liberal Democrats (FDP)**

## **Left Party (former Party of Democratic Socialism)**

## **Others:**

*National Democrats (NPD, DVU, others), ...*

# Political Parties and Elections

<i>Parties</i>	<i>Seats</i>	<i>+/-</i>	<i>%</i>
<b>Christian Democratic Union (CDU)</b>	<b>180</b>	<b>-10</b>	<b>29.3</b>
<b>Christian Social Union of Bavaria (CSU)</b>	<b>46</b>	<b>-12</b>	<b>7.5</b>
<b>Social Democratic Party of Germany (SPD)</b>	<b>222</b>	<b>-29</b>	<b>36.2</b>
<b>Free Democratic Party (FDP)</b>	<b>61</b>	<b>+14</b>	<b>9.9</b>
<b>The Left Party/PDS</b>	<b>54</b>	<b>+52</b>	<b>8.8</b>
<b>Alliance '90/The Greens</b>	<b>51</b>	<b>-4</b>	<b>8.3</b>
<b>Other</b>	<b>0</b>	<b>0</b>	<b>-</b>
<b>Totals</b>	<b>614</b>	<b>+11</b>	<b>100</b>

# Federal Parliament – Bundestag

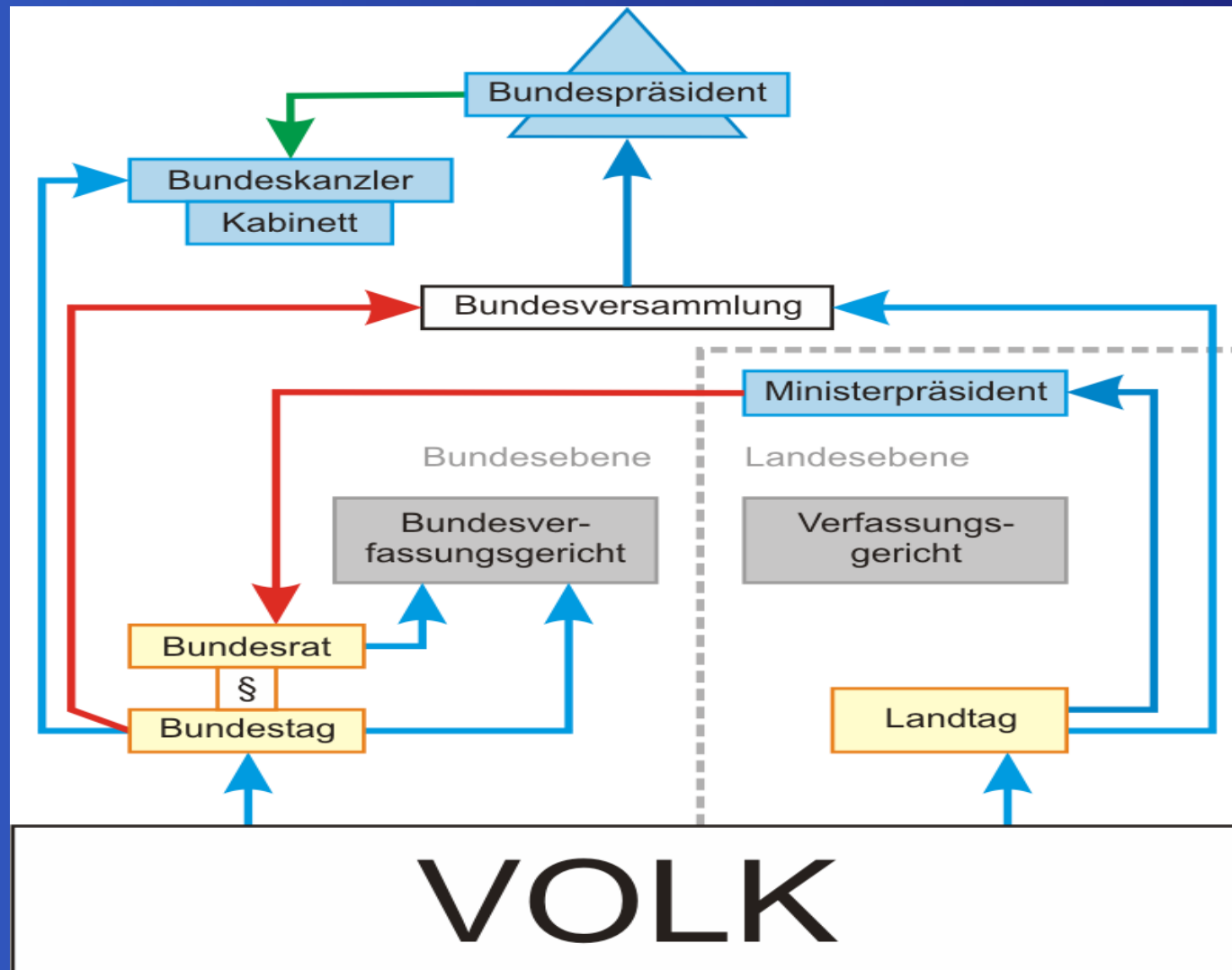
- 🕒 **614 seats in this election period (nominally 598)**
- 🕒 **299 members elected in single-seat constituencies**
- 🕒 **299 members allocated from party lists according to proportional representation**
- 🕒 **Elects the chancellor.**
- 🕒 **Dominated by the ruling CDU/SPD coalition**

# Federal Council – Bundesrat

- 📍 **Representation of the states**
- 📍 **69 seats**
- 📍 **Members receive voting instructions from state governments.**
- 📍 **Has to agree, when important laws are passed.**
- 📍 **Dominated by CDU, CSU and CDU/FDP coalitions**



# Political System



# Social Security

- 🌐 **Germany is a welfare state that considers the social protection of all citizens to be a priority.**
- 🌐 **Principle of the welfare state enshrined in Article 20 of the Constitution**
- 🌐 **Constitution commits the state to protect the natural bases of life of its citizens.**
- 🌐 **27.4 % of the country's gross domestic product for public welfare spending**  
*(USA: 14.7 %, OECD: 20.4 %)*

# Social Security

- 🌐 **All-embracing system of health, pension, accident, longterm care, and unemployment insurance**
- 🌐 **Unemployment insurance:  
60 to 67 percent of the last net income**
- 🌐 **Additionally:  
taxfinanced services such as the family services  
equalization scheme  
(child benefit, tax concessions) and**
- 🌐 **Basic provisions for pensioners and those unable  
to work**

# Conclusions

- 📍 **Germany is the largest Country in Europe in terms of GDP and population.**  
**With its unique history it is faced with all the advantages and risks of being the "center" of an enlarged Europe.**
- 📍 **Economic growth has come to a slowdown in recent years, but there is now evidence for an economic upswing.**
- 📍 **After decades of political stability and an expanding welfare state Germany needs to undertake broad reforms.**

