

# **Persistence and Secular Change. The German Production Regime in Historical Perspective**

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I. **Continuity and Change.** German business has in recent times been exposed to growing criticism and has had to submit to a painful examination of its future prospects. The criticism has been mainly expressed against the organisation of its production regime.<sup>1</sup> In view of the persisting mass unemployment, doubts have been expressed about Germany's ability to adapt itself to new and innovative product markets, whose dynamism requires a high degree of flexibility in corporate decisions. Even ten years ago, the belief in the economic and social superiority of the German model was very strong among the general public, as it is among experts even today.<sup>2</sup> However, even at that time there was growing scepticism that the political and cultural influences of its American competitors would push the German economy into a corner.<sup>3</sup> Today the criticism of public opinion is aimed mainly at the long term corporate perspective and corporate constitution which characterise all components of the German production regime and in their narrow mutual coordination make it difficult for the whole system to adjust to short term conditions.<sup>4</sup>

This is particularly seen in corporate governance, in the financial system where the emphasis on the universal banking system is held responsible for supposedly providing the new economy with risk capital, in the system of industrial relations whose flagship, codetermination hinders the taking of quick decisions by the management, for the organisation of enterprises at the branch level (intercompany system) where a high degree of coordination between trade associations leads to loss of competitiveness and to over regulation of the labour market and lastly for the system of dual vocational training which strengthens and perpetuates these difficulties through the standardisation of qualifications and through longterm commitments. Even where economists in discussing about the respective merits and demerits of different production regimes often talk favourably about the German system, an in-depth historical analysis is often lacking.<sup>5</sup> The historical perspective is however

indispensable for understanding the processes of change, because the continued existence of institutions bridges the present and the future with the past.<sup>6</sup> That is why the question as to how the German production regime came into existence is just as important as the discussions on the changes it underwent in the course of time.

A schematic survey of the most important data regarding the continuity and changes in the institutional framework of the German economy brings surprising things to the forefront of our consciousness (Diagram 1). The German social system of production with its components has come into existence more than a hundred years ago and has successfully withstood all attempts to change its fundamental structure. The opportunity for this arose after the defeat in the two world wars as also after the worldwide economic crisis, the effects of which were felt very strongly in Germany. Especially after 1945 the Occupation Powers made great efforts to replace parts of the German production system, for example the universal banking system, the strong position enjoyed by the business associations (Verbände) or the forms of inter company cooperation through other less politically burdened institutions. This led to breaks in continuity; however in the fifties this tendency was reversed with only a few exceptions (cartel) with the consent of the concerned German parties when even in America questions of economic effectiveness gained precedence over political considerations. Against this background, the German economy was able to withstand intervention from external forces and to set the scene for the West German economic miracle (Wirtschaftswunder), which was in its most important elements a continuation of the system of the late nineteenth century. It must be emphasised that this process can best be described as “continuity in change”, a process which allows institutional changes, only as long as they do not deviate too much from the the previously followed path of development. These changes can be radical, as long they are faithful to prevalent principles of organisation, as in the case of codetermination (Mitbestimmung),<sup>7</sup> restrictive practices (Kartellrecht)<sup>8</sup> or old age security (Alterssicherung).<sup>9</sup>

This preference for historically developed institutions needs an explanation. Two hypotheses are possible. On one hand the continuity of the German production system could stem from the anomalies of the economic development of the 20<sup>th</sup> century : after all the quick succession of crises and periods of reconstruction the economy has conserved the paradigm

of material production in the German economy in an anachronistic manner.<sup>10</sup> Fourastié.<sup>11</sup> The tenacity with which the German entrepreneur holds on to traditional production regimes can be partly explained by the conservatism, which is evident from a study of the economic history of the country. But it can also be explained by the fact that the institutional framework of the German economy came into existence at the end of the 19<sup>th</sup> century as an answer to the forces of industrialisation and scientific development. These principles are at work even today, and it must not be forgotten that Germany has taken a pioneering role in this sphere even before the First World War. These two hypotheses are not mutually exclusive, rather they complement each other. To examine them it is necessary to examine the institutional developments of the late nineteenth century. With this the question is raised, under what circumstances has the existing German production regime come into existence? For what challenging tasks has it prepared itself and for what is it not prepared? The question of the catalysts of the changes of the social system of production in the 20<sup>th</sup> century must also be discussed. How wide is the scope for such changes? The answer to all these questions is important if our discussion today is to be fruitful. It will also decide if the German production regime has become obsolete and must be completely overhauled or requires only limited modification in order to adapt itself to the emergence of the new phenomena, for which in principle it is already prepared.

The origin of the new social system of production which can be described as “business coordinated market economy” and which is to be distinguished from the “liberal market economy” in the American sense can be precisely classified. The death knell of the old production regime of “liberal market economy from above” was sounded in the financial market crisis (“Gründerkrise”) and by the end of the „Great Depression” in the middle of the eighteen nineties had to make way for a new system of social production. (Diagram 2). We are familiar with the trauma which followed the disintegration of the old system, and the challenges which were faced by the new. The protagonists are familiar to us, so is the scene of action as well as the economic, social and political problems which were associated with the birth of this new system. Also familiar to us are the characteristics of the old system, into which the new one had to be embedded. And yet there is no comparable phenomenon in the recent economic history of Germany which has been so thoroughly misunderstood as this dramatic disintegration of the German production regime. In the tradition of the debate of the

special German way (“Sonderwegsdebatte”), this departure from the liberal principles and the creation of new forms which seemed at first glance to correspond to traditional patterns was characterised as “social romantic”, one which still owed allegiance to values of the pre industrial era.<sup>12</sup> Contrasted with this, we have the fairly recent point of view, that through the new order a new type of capitalism and bourgeois society came into existence which stamped the Wilhelmine era with the features of the 20<sup>th</sup> century. Also recent is the point of view that the longevity of the corporate intervention state is a sign of its efficiency and of its durability. For this reason, the developments in the Kaiserreich must be regarded as thoroughly modern and future oriented because they laid the foundation of the state regulated production capitalism.<sup>13</sup>

Where this modernity lies, if not in a new definition of the role of the state, also needs to be explained. From our present perspective, the question arises, whether the prevalent production regime is prepared for the tasks, which are associated with the entry of Germany into the era of globalisation and an information society.<sup>14</sup> It is a matter of controversy, whether globalisation has brought a completely different quality to its institutional and organisational framework or whether it can be interpreted as a continuation of the twentieth century. While sociologists like Rosenau<sup>15</sup> and Harvey<sup>16</sup> diagnose an intensifying and acceleration of worldwide social changes, which would mean a complete break with the past, other economists warn of the error of believing that the present process of globalisation is a one time phenomenon.<sup>17</sup>

II. **Challenges and Shocks.** Even before the First World War, multinational enterprises were among the chief players in the process of economic expansion, which crossed national barriers, even if the circumstances today and the significance these companies have altered considerably. This early transnational orientation of multinational enterprises of British, German, or Dutch origin has always been the subject of discussion in the economic history,<sup>18</sup> long before globalisation became the slogan of the outgoing century. Another important factor which played an important role in the process of globalisation was the Free-Standing Companies, which in contrast to the multinational enterprises operated only abroad.<sup>19</sup>

However even from the macroeconomic perspective the last third of the 19<sup>th</sup> century and the years up to the First World War must be regarded as a high point of economic expansion.<sup>20</sup> Leading economists of the Kaiserreich like the Berliner August v Sartorius were convinced at the turn of the century of the coming of the era of world economy: “The world economy is already so far developed that the striving towards its perfection is already perceptible. We do not know if in the next hundred or thousand years we shall have a complete social organisation, according to the highest standards of usefulness, but we do have the right to believe that we find ourselves at the beginning of a development, from which a lot can be expected.”<sup>21</sup> In 1914 the sum of direct investment abroad (without taking portfolio investments into account) was not less than 45 Billion dollars.<sup>22</sup> This was the result of the integration of the capital markets unhindered by capital control, the likes of which could only be achieved again after 1980. Till then most of the member countries of the International Monetary Funds were subject to strict controls. In comparison with the first half of the nineties, where the international net capital transfer was estimated at an annual 0,4 billion dollars,<sup>23</sup> the sum may seem modest. However a comparison with US Gross National Product of 36 Billion Dollars in the year 1914 and foreign investment of 7,1 Billion Dollars it will be clear that the degree of capital interlocking (Kapitelverflechtung) can be compared favourably with the present dimensions.<sup>24</sup>

The worldwide crash of the stock market of 1873 brought to notice the extent of the interweaving of the capital markets, which had accumulated in the capitalistic world since the middle of the 19<sup>th</sup> century, The crash started from the US and took an unpleasant turn in Germany, because it followed a wave of speculation (Gründerwelle), which destabilised the economy. The crash revealed a long existent weakness of capital returns, which took the form of the Great Depression. In the course of the Depression pressure was felt in both countries to compensate the weakness of the internal market by exports, services and capital. At the end of the Great Depression, the interweaving (interdependence) of the world market had achieved a new quality. Whereas the world export volume had risen from 1872 to 1890 by a third, from 1895 till the First World War it trebled itself. Simultaneously, the industrial world experienced a revolution in communication. In 1913, the exchange of information between Wall Street and the London Stock Exchange took less than a minute. In the year before the First World War, the number of Multinational companies and

Freestanding companies was in no way smaller than the present number of all transnational companies. The acceptance of gold as an universally accepted standard, placed a financial medium at the disposal of the world, which in its practical and formal qualities is unsurpassed even today. The integration of the product markets and the globalisation of the finance markets, which was achieved in this first phase and which was later lost due to the disastrous world wars and the economic crises, could be retrieved only after the end of the Cold War.

It is these enterprises which appear to have set the forces of globalisation into motion at the end of the nineteenth century, where as the rise of the New Industry announced a change for a the benefit of the economy which can be described as the entry into the knowledge society. This aspect has till now not been examined for its long term significance. The value of the historical perspective lies in the fact that the present economic system originated in the critical turning point of economic development, a system which is embedded in international divergence and social configurations, a system which also owes allegiance to the traditional system and to the logic of its inner bonding.

III. *Historical and cultural Embedding*. German and American Entrepreneurs of the New Industry belonged to the pioneers of the world economic Globalisation. The Allgemeine Elektrizitäts Gesellschaft (AEG) which was founded in 1883 and the Siemens concern were responsible for more than a third of the world production. At the turn of the century AEG had 37 branches in European countries and 38 overseas.<sup>25</sup> Even more impressive is the export history of the German chemical industry. In the electrical and in the organic chemistry sector German firms dominated even the American markets up to the first world war.<sup>26</sup> Both these branches were characterised by mutual technology transfer between Germany and America. The biggest and second biggest chemical company before 1945, Du Pont and Allied Chemical used German patents before 1914. The rise of the AEG can be traced to the inventions of Edison, which also laid the foundation stone of the American company General Electric. The close relations between General Electric and AEG were further strengthened by a contract regarding exchange of patents and the sharing of the world markets. Transnational cooperation, capital interpenetration and diffusion of technology between the big German and American companies were characteristic of the development

of the world economy. Notwithstanding these parallel developments and the similar challenges which almost simultaneously in both countries led to the disintegration of the institutional framework, the divergent elements are much more noticeable (diagram 3).

The organisational principles of the American economy had its roots in the tradition of British common law and followed the paradigm of competition. In the case of Germany, the corporate and cooperative tradition prevailed, which had influenced the industrial development in the German territories. While Adam Smith was of the opinion that “where merchants came together, they always formed a plot against the public”, Gustav Schmoller holds the opinion that in this coming together is the real significance of corporate market regulation, which comes not through purchase and establishment, exchange and speculation, but through cooperative contract, through a realisation of what is necessary, through the victory of common interest over self interest and short term egoism.<sup>27</sup> Given the choice of merging of whole sectors of the economy into leading enterprises, as is the practice in America, whereby all legal and economic independence of these sectors is lost, the German industrialists preferred contractual cooperation which left room for freedom. Other divergent elements in the production regimen of the two countries resulted from the fundamental differences in the morphology of the labour markets. Economic historians have seen the far reaching consequences of this fundamental difference in the economic principles of America and Germany, and they see in this difference one of the reasons for the disastrous developments, which in Germany ultimately led to the catastrophe of the Third Reich.

In reality the social systems of both countries differ less in their fundamental difference as in their outer form. Both had to accommodate the numerous paradoxes of the process of globalisation. So a certain measure of protectionism was necessary, because the self-destructive effects of the powerful and unprecedented dynamism of foreign trade on the inner structure of the economy threatened the stability of the economy and of the society. This was the case in the pioneer countries in the first phase of globalisation. The strengthening of the national state was another prerequisite for the functioning and expansion power of the world markets. In order to negotiate the rules and the implementation of the infrastructure of international transactions, in which the acceptance of gold as international financial medium was an important part, global players were required, whose authority could

not be contested. The stabilisation of the national market through new methods of market domination appeared more necessary than ever in view of the strong competition and the need for long term corporate perspective. The outer form of the new institutional framework remained untouched. It had to serve a different purpose. The more fundamental the upheavals of the production regime and its components, the greater is the problem of acceptance. If the main concern of institutions lies in achieving a stable social order, through which the insecurities of human beings can be minimised and the cost of doing so,<sup>28</sup> the recourse to familiar outward forms becomes a prerequisite in the introduction of new institutions, in order to compensate for the lack of long term trust and confidence. Even the Cartel, the most innovative element of the capital market, had to fall back on familiar forms. It was regarded as nothing other than as a modification of the principle of cooperation and its application in modern industrial production.<sup>29</sup> It is yet to be seen, how far the historical analogies have facilitated the industrial change and contributed to the modernisation of the economy.<sup>30</sup>

The introduction of the new institutional framework was also facilitated by the ideological aspect. The Prussian tradition provided the inspiration for the high ethical standards which the representatives of the Historical School of Economics expected from the German economy. The Anglo Saxon economic traditions failed to provide similar inspiration. The still dominant British economy served not as a model to be followed but rather as a contrast model, and was regarded as a system which required a thorough overhauling of many elements which had become obsolete, and which could not be taken over in its entirety. While the breaking up of the old system was carried out without any major conflict, at the turn of the century controversy raged over the future of the German economy not only among academicians but also the general public. Even when the debate was between the adherents of an industrialised agricultural state and those who favoured an industrialised export state, the core subject was the feasibility and viability of a world market oriented strategy or in modern terms the - globalisation of markets. The industrial state has been examined in all the aspects of its politically mobilising and socially polarising influence on the interest policy of the Kaiserreich, however a more detailed study will reveal the basic impulses which made the break from liberal conventions possible, be it industrial or agrarian. The break in the production regime also reflects a basic change in the production potential of

the society, which was a consequence of changes in the economic significance of knowledge and which demanded a new organisational framework, in order to realise the full potential of this new dimension. The revolutionary quality<sup>31</sup> of these new economic possibilities lies not in the close relationship between science and technology in the production process alone but also in the setting up of an institutional framework for the mobilisation of product reserves in the markets, in the enterprises and also at the level of economic policy.

IV. *Traditional values versus new values*? Germany of the transition period (“Wendezeit”) is not only an ideal subject for an empirical research into the causes of institutional breakups. It is also a starting point for examining the reasons for the enduring power of the German production regimes in the last century. The institutions of the period which determined the “German path” all bore the stamp of the Kaiserreich and all changes, institutional and organisational could be carried out only within this particular framework. This special German path becomes clearly visible, when the line of economic development in Germany is compared with the lines of economic progress in other countries. A comparison with Great Britain and America is specially useful in this context. The British economy did not immediately follow the change in the late 19<sup>th</sup> century, whereas the American production regime after a movement similar and parallel to the German, followed a path which differed considerably from the German model.

England and Germany have on the basis of their respective institutional conditions developed completely different abilities and patterns, in order to prepare the economy for the challenges of the 20<sup>th</sup> century, for the emergence of the “immaterial” means of production (Colin Clark) in the post industrial era and the strong competition in the world economy. In Great Britain, where the tertiary production share was equal to the share of the industrial sector at the turn of the century,<sup>32</sup> it was the tertiary sector which was the vehicle for economic modernisation and international competitive ability. Germany on the other hand continued the upgrading of the new industry which began at the turn of the century in a more consistent manner. Its value lay and lies even now, less on material production, whereas the significance of the classic tertiary sector remained weak and did not supercede the production sector till the seventies. Great Britain followed a different path. Though it also experienced in the 1920s a quiet revolution in the relative status of scientific and technical

education, the entry into the New Industry was nevertheless “hesitantly, clumsily and expensively”.<sup>33</sup> There can be little doubt that in the use of the new knowledge as productive economic resources Britain lagged behind Germany and USA and the upgrading was restricted only to certain sectors like finance and services. The causes for this were not the limited access to knowledge as a production factor but the absence of new institutional and organisational conditions, which could have made the mobilisation of knowledge possible.

On the real historical level the reasons for this blockade are well known. The strong tendency towards capital export and direct overseas investment have not encouraged the growth of the New Industry in Great Britain. In contrast to this, the opportunity for portfolio investment, direct investment and the growth of multinational companies was less spectacular in Germany than in England. This had strengthened the capital market, mostly because the German universal banking with its readiness for longterm engagement offered better conditions than the British Divided Banking (Trennbanken) system. At the beginning of the nineteen nineties the stock market attracted 125% of the British Gross National Product, whereas the German share reached only 25%.<sup>34</sup> Certainly the British principles of competition have experienced as many deviations as the principle of regulated competition in Germany, but the underlying institutional principles are even today clearly distinguishable.

The comparison with the US leads to a paradoxical result. Although the 20<sup>th</sup> century can be regarded in many ways as the century of Americanisation, the divergence of the two production regimes is wider than in the preceding 100 years (Diagram 4). The German economy is hardly conceivable without the continual streaming of newer and more innovative methods from the USA. Taylorism, Fordism, the management structure in business organisations, new management methods and business practices like market research , improved methods of marketing and advertising have along with other imports from the USA altered the economic life of Germany as much as increased foreign investment. With these new innovations, Germany also imported managerial behaviour patterns from America. These influences from abroad came in spurts and not in a regular flow. Before 1914 the balance of the mutual enrichment was equal, but in the period between the two wars the balance was clearly in favour of the United States. Well into the Third Reich the German economists as well as the general public were fascinated by the economy of the USA

because it represented a stage of development, which the German economy itself aimed at, but could not realise due to political reasons. The USA was the Mecca for German industry and a brain drain of German engineers and scientists began in the thirties, together with a flow of technical and scientific know-how from Germany into the USA.<sup>35</sup> This German emigration gained momentum at a later period. With the fall of the dollar and the end of the Fordist production regime, the attraction of America as an immigrant land waned in the sixties, before it became, once again in the 80s very attractive due to the liberalisation of the capital market and the growth of the new economy and continues to exercise the same fascination today.

The transfer of behaviour patterns and values did not result in institutional changes in the German economy, even in those places where the American way of thinking and behaviour patterns were willingly absorbed. As an instrument of economic analysis, institutions cannot be equated with reasoning and behaviour patterns prevalent in an economy. Institutions are voluntarily chosen limits of economic behaviour, rules of which simplify the market conduct and stabilise the transaction costs. The factors which bring about institutional changes are, apart from economies of scale, profits rising from the reduction of transaction costs, the internalisation of external effects, the avoiding of risks and the redistribution of income,<sup>36</sup> all of which give the global players cost advantages. These expectations are not of a general nature, but are directed to particular product markets, where there are concrete institutional cost advantages.

V. *The persistence of the old regime.* Since the end of the first phase of the globalisation, as the world economy tried in vain to resurrect its old dynamic after the first world war, the promising markets for the German economy lay neither in the distribution of highly innovative products nor in assembly line mass production of goods. The capital necessary for new developments was missing and the demand for the setting up of a Fordist production regime was also lacking. The markets for diversified quality products (DQP) became increasingly important, a field in which the German economy could show its full remaining strength. In order to achieve this, it was necessary to utilise established technologies as well as a highly qualified labour force, and maintain a close relationship with buyers, the ability to fulfil their specific wishes and to offer good service.<sup>37</sup> The conditions necessary for this, like long term

corporate perspective and cooperation on the branch level was already a part of the German production regime even before the First World War.<sup>38</sup> They were now further strengthened and expanded (Diagram 3 and 4) because Germany was now in a position to meet the needs of the product markets for diversified quality products. Against this background, American values, institutions and forms of organisations which were no doubt valued and admired, did not get a stronger hold in Germany,<sup>39</sup> nor did they lead to a reconstruction of the economy. On the contrary, and in a paradoxical manner, the divergence between the two systems became wider.

Other, not less popular conjectures about the secular causes of institutional changes must be measured against the persistence of the German system. This also applies to the thesis of Mancur Olson, in which he claims that the defeated countries at the end of the Second World War were able to make a break with those “social rigidities”, which had accumulated in long, sclerotic phases of stability. According to Olson, this break enabled them to win back the ability of productive and innovative reorganisation, which in turn led the way to economic growth and technical progress. In the case of the victorious powers, this ability continued to remain blocked.<sup>40</sup> But this attempt to attribute the countless economic miracles of the fifties to the power of institutional change has its limitations in the case of Germany. The factors researched by Olson had of course contributed to freeing certain parts of the German production regime, like the trade unions and the economic organisation from their shackles and had led to the removal of the more formal elements of the German economy (Kartelle). That could not prevent Germany from returning to the trusted corporate rules but it removed some of the rigidity of the German production system and made it more efficient. The German economy had an attractive production regime at its disposal at the beginning of the *Wirtschaftswunder*, even if it was basically the old one in a new form. That applies to all those sections of the economy like cartels and industrial relations, which were more strongly formalised and institutionalised before. With the introduction of qualified participation of employees in corporate decisions, the trend was set in Germany, long before 1947/52 to look for a solution to the Principal–Agent problem which would be specifically suited to German conditions, and which would take the increasingly asymmetrical distribution of knowledge in the German industry into account, in trying to solve this problem.<sup>41</sup> The concept of path dependency however flexible it may have been, does not

explain everything. What is far more decisive is the persistence of the attractive features, which determined the direction taken by the institutional change. We also have to take note of the position of the German economy in the production market as well as the features of the German corporate culture.

The reconstruction period after the second world war have hardly altered the features of the institutional change. This may explain, why the institutions were put under pressure to adapt themselves relatively late. This pressure was generated by the continuation and further development of the two big economic processes of the 20<sup>th</sup> century namely (1) Globalisation and (2) the changes in production brought about by science, (notwithstanding all interruptions through crises, wars and phases of rebuilding) The German production regime was right from the very beginning prepared for these challenges, so that the chances of overcoming them now do not appear hopeless. The conditions which are part of the German corporate culture are accumulated trust and sociability, both of which are indispensable for low transaction cost levels which in turn increase the competitive ability in international markets. Under the circumstances of globalisation, according to the popular belief the significance of trust and related corporate virtues increases as a source of the economic well being of a society increases.<sup>42</sup> If cultural factors of this type determine the competitive ability of global players, then Germany can be regarded as well equipped for the competition of economic cultures in the 21<sup>st</sup> century because of its historically developed institutions.

The decision for this will have to be taken by the world market. The success of the German economy in the postwar era, which has continued unbroken, is closely connected to the comparative transaction costs.<sup>43</sup> The German industry is best able to show its dynamic above all in the production of vehicles, machinery and in the chemical industries. Even though the German export economy unlike the American or the Japanese, does not command any full segment of the World Market, the strength of its international position is still astonishing. For example, in the year 1985, not less than 345 sectors had a share of the world export which lay over 10.6%. Only 7 of them accounted for more than 1 per cent of German exports.<sup>44</sup> This width of the export market points to a typical feature of the German export economy. It concentrates on branches with high productivity. It is therefore specially resistant to competition and economic fluctuation. In the competitive market for office equipment and as well as other components of electronic data processing, it however shows

decided weaknesses. The decisive question for the future is therefore: if the German production regime can only unfold its strengths, where it is required to demonstrate the practical application of innovative ideas, that is when newly developed technologies reach a stage, where they can be translated to concrete economic use. Then it would be able to unfold its comparative advantages. It could however also be possible, that the German industry loses its connection with the production cycle in the long run, and is not in a condition to develop new production cycles. In the first case, the German economy would be able to demonstrate its strength repeatedly. Remaining weaknesses in the economy could then be removed by compensatory strategies like direct overseas investment. In the second case, the complete renewal of the institutional framework would be required. Because the different parts of the system of production are so intricately linked with one another, it would be difficult to separate them and replace them with modules from another system.<sup>45</sup> A renewal of the social system of production would therefore deeply affect the very identity of the German society, as most critics of the prevalent system, advocating thorough reforms do not realise. Such a complete break is however not without example in the economic history of Germany. The Wilhelmine era provides us with such an example, of how one production system can be replaced by another after a long drawn out crisis, but also makes us aware of the ordeals suffered by that society.

**Table 1**

## **Institutional Framework of the German Economy: Continuity and Change during the 20<sup>th</sup> Century**

Social System of Production	Law System	Social Security System	Interest Policy
<u>Inter-Company-System:</u> „Corporatist Coordination“ (since 1879) [1945-1951]	Regulated Competition (since 1897/1923/ 1958) [1945-1951]	Health Insurance (since 1883)	„Primacy of the Economy“ (since 1871)
<u>Finance System:</u> Universal banking (since the 1870s) [1945-1952]	<u>Corporate Governance:</u> Corporation Law (since 1884/1897/ 1931/1937/1965)	Accident Insurance (since 1884)	
<u>Industrial Relations:</u> Co-determination (since 1890/1905/1916/ 1920/1951/1952/1976) [1933-1947]	Civil Law (since 1900)	Old-age Insurance (since 1889/1911/ 1948/1957/ 1972/1992)	„Primacy of Policy“ (since 1931/ 1933)
<u>Qualification System:</u> „Dual“ System of Vocational Training (since 1897/1938/1969) [1945-1951]	Commercial Law (since 1897)	Unemployment Insurance (since 1927)	
	Welfare State by Constitution (since 1919/1949)	Long-term Care Insurance (since 1995)	„Primacy of the Economy“ (beyond the 20 <sup>th</sup> century?)

Legend:

(...) = Continuity by change

[...] = Breaks in Continuity

**Subsystems of the German Production Regime are underlined.**

## Anmerkungen

<sup>1</sup> The terms „production system“ and „social system of production“ are used synonymously; cf. J. R. Hollingsworth, *Continuity and Changes in Social Systems of Production: The Cases of Japan, Germany, and the United States*, in J. R. Hollingsworth and R. Boyer (eds.), *Contemporary Capitalism. The Embeddedness of Institutions*, Cambridge 1997, p. 265-310.

<sup>2</sup> S. Casper, *High Technology Governance and Institutional Adaptiveness. Do Technology Policies Usefully Promote Commercial Innovation within the German Biotechnology Industry?* (WZB, Discussion Paper FS I 99-307), Berlin 1999; R. Whitley and P. H. Kristensen (eds.), *The Changing European Firm. Limits to Convergence*, London 1996; Hollingsworth and Boyer (eds.), *Contemporary Capitalism*; M. Rhodes and B. van Apeldoorn, *Capitalism versus Capitalism in Western Europe*, in M. Rhodes et al. (eds.), *Developments in West European Politics*, Houndmills 1997, p. 171-89; R. Whitley, *Dominant Forms of Economic Organization in Market Economies*, in *Organisation Studies* 15/2. 1994, p. 153-82; L. W. Pauly and S. Reich, *National Structures and Multinational Corporate Behavior: Enduring Differences in the Age of Globalization*, in *International Organization* 51/1. 1997, p. 1-30; C. Lane, *Globalization and the German Model of Capitalism - Erosion or Survival?* (Discussion Paper, Faculty of Social and Political Science, University of Cambridge) Cambridge 1999.

<sup>3</sup> M. Albert, *Capitalisme contre Capitalisme*, Paris 1991 [Kapitalismus contra Kapitalismus, Frankfurt 1992, S. 165].

<sup>4</sup> D. Soskice, *Globalisierung und institutionelle Divergenz: Die USA und Deutschland im Vergleich*, in *Geschichte und Gesellschaft* (GG) 25. 1999, p. 201-25.

<sup>5</sup> *Ibidem* and note 2.

<sup>6</sup> Zur Begründung dieses Desiderates s. D. C. North, *Institutions, institutional Change and Economic Performance*, Cambridge UP, Cambridge 1990 [Institutionen, institutioneller Wandel u. Wirtschaftsleistung, Tübingen 1992, Vorwort].

<sup>7</sup> W. Abelshausen, *Vom wirtschaftlichen Wert der Mitbestimmung: Neue Perspektiven ihrer Geschichte in Deutschland*, in W. Streeck and N. Kluge (eds.), *Mitbestimmung in Deutschland. Tradition und Effizienz*, Frankfurt (Campus) 1999, p. 224-38.

<sup>8</sup> P. Hüttenberger, *Wirtschaftsordnung und Interessenpolitik in der Kartellgesetzgebung der Bundesrepublik*, in *Vierteljahrshefte für Zeitgeschichte* (VZG) 24.1976, p. 287-307.

<sup>9</sup> W. Abelshausen, *Erhard oder Bismarck? Die Richtungsentscheidung der deutschen Sozialpolitik am Beispiel der Reform der Sozialversicherung in den Fünfziger Jahren*, in *GG* 22. 1996, p. 376-92.

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<sup>29</sup> S. Tschierschky, *Kartell und Trust*, Göttingen 1903, p. 56.

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