

THE GERMAN ECONOMY (GEC)

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Course description

This applied course on “The German Economy” covers policy relevant topics ranging from historic economic events over recent economic reforms to current debates on economic policy.

Historic economic episodes and events in Germany like hyperinflation, great depression, currency reforms, Wirtschaftswunder, stagflation, German reunification, European monetary integration, and European eastern enlargement continue to inform economists and policy makers and still shape people’s attitudes towards questions of economic policy. Recent (and some not so recent) reforms and policy changes include the introduction of the Euro, the Hartz reforms of labour market institutions, various pension reforms, the Energiewende, the introduction of the general minimum wage, and many more. Current debates on economic policy and economic policy challenges include but are not limited to climate policy, inequality, network infrastructure in energy, transport and communications, fiscal sustainability, as well as strengthening resilience in the face of recent and current crises like the financial crisis, Covid-19 and the war in Ukraine.

Throughout the course, analysis is based on introductory economics, which in some cases is briefly reviewed.

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Target group

The course is primarily targeted at foreign exchange students who want to get acquainted with their host country's economy and economic policy debate. The course language is English. The course is part of the 2nd phase of the bachelor program in economics. Some prior knowledge in economics is required. Local students from other departments might find the course interesting. Local students of VWL (economics), IVWL (international economics) and BWL (business administration) are also welcome. Notice that local students of BWL must not use the course as their required 2nd phase VWL course.

Outline³

FRONTMATTER

- Course description
- Target group
- Outline
- Outline (incl. sections)
- Outline (incl. subsections)

PART I INTRODUCTION

- Chapter 1 The German Economy over the Last 100 Years: Events and Time Series
- Chapter 2 Basic Economics, the Role of the State and the Concept of Soziale Marktwirtschaft

PART II MICROECONOMIC PERSPECTIVES

- Chapter 3 Competition policy, Privatisation and Regulation
- Chapter 4 Trade: Made in Germany
- Chapter 5 Labour Market and Unemployment
- Chapter 6 Regional and Industry Structure: Agglomeration, Specialisation, Clusters
- Chapter 7 Environment and Climate

PART III MACROECONOMIC PERSPECTIVES

- Chapter 8 Growth: The Faded Miracle
- Chapter 9 Money: From D-Mark to Euro
- Chapter 10 Government Budget and Debt

PART IV DISTRIBUTIVE JUSTICE

- Chapter 11 Rich and Poor: The Distribution of Income and Wealth
- Chapter 12 Demographic Change, Intergenerational Justice and the Pension System

PART V GERMANY AND THE EAST

- Chapter 13 * German Reunification: Fast Track Transition to a Market Economy and Slow “Aufbau Ost”
- Chapter 14 Germany’s New Neighbours: New European Union Member States in Central and Eastern Europe

PART VI SELECTED TOPICS

- Chapter 15 Banking, Financial, Economic and Debt Crisis

PART VII SUMMARY AND OUTLOOK

- Chapter 16 Summary and Outlook
- Chapter 17 Outlook

BACKMATTER

- List of models

³ gec_glu.doc/pdf.

Some heading in the outline are marked by * and # symbols: * chapters or sections have not been presented in the lecture. # chapters or section are not relevant for the exam.

Outline (incl. sections)⁴

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PART I INTRODUCTION

Chapter 1 The German Economy over the Last 100 Years: Events and Time Series

- 1.1 Pathologies 1: Interwar Hyperinflation, Banking Crisis and Depression
- 1.2 Post World War II Economic Miracle (Wirtschaftswunder)
- 1.3 Pathologies 2: Stagflation and Euro-Sclerosis
- 1.4 German Reunification
- 1.5 Germany in the European Union
- 1.6 Current Crisis
- 1.7 [Current Debate] Inflation v Deflation Threats in the Current Crisis

Chapter 2 Basic Economics, the Role of the State and the Concept of Soziale Marktwirtschaft

- 2.1 [Basic Economics] How People Make Decisions (MT principles 1-4)
- 2.2 [Basic Economics] How People Interact (MT principles 5-7)
- 2.3 [Basic Economics] How the Economy as a Whole Works (MT principles 8-10)
- 2.4 [Basic Economics] Basic Economic Models
- 2.5 Role of the State in the Economy: Market Failure, State Intervention, State Failure
- 2.6 [Institutional Setup] German Soziale Marktwirtschaft
- 2.7 [Current Debate] Reinventing the Soziale Marktwirtschaft

PART II MICROECONOMIC PERSPECTIVES

Chapter 3 Competition policy, Privatisation and Regulation

- 3.1 [Basic Facts] Competition Cases by Jurisdiction and Type of Violation
- 3.2 [Basic Economics] Incomplete Competition
- 3.3 [Economic Policy] Competition Policies
- 3.4 [Institutional Setup] Competition Policy in Germany
- 3.5 [Institutional Setup] Competition policy of the European Union
- 3.6 [Recent Reform] Regulating Network Industries: The Bundesnetzagentur and Ten Years of Competition in Network Industries
- 3.7 [Current Debate] Do Old State Monopolies Have to be Privatised? The Case of Deutsche Bahn

Chapter 4 Trade: Made in Germany

- 4.1 [History Lesson] Interwar Protectionism and Post World War II Reintegration of Germany into the World Economy
- 4.2 [Basic Economics] Gains from Trade and Trade Policy
- 4.3 [Institutional Setup] Single European Market
- 4.4 [Basic Facts] Patterns of German International Trade
- 4.5 [Current Debate] Export Champion or Bazaar Economy

Chapter 5 Labour Market and Unemployment

- 5.1 [Basic Facts] Unemployment in Germany: From Full Employment to High Unemployment in Three Decades
- 5.2 [Basic Economics] Labour Markets and Unemployment

⁴ gec_gli.doc/pdf.

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- 5.3 [Institutional Setup] Labour Market Regulation in Germany
- 5.4 [Recent Reform] Hartz Labour Market Reforms: Unemployment Benefits
- 5.5 [Recent Developments] Labor Market Response to Current Crisis
- 5.6 [Current Debate] A Legal Minimum Wage for Germany?

Chapter 6 Regional and Industry Structure: Agglomeration, Specialisation, Clusters

- 6.1 [Basic Facts] Industrial and Spatial Structure of Economic Activity in Germany
- 6.2 [Basic Economics] New Economic Geography: Distance, Increasing Returns and Incomplete Competition
- 6.3 [Basic Economics] Clusters: Strategic Cooperation, Tacit Knowledge and Innovation
- 6.4 [Economic Policy] Cluster Based Regional and Industrial Policies
- 6.5 [Current Debate] State Support for Clusters

Chapter 7 Environment and Climate

- 7.1 [Basic Facts]
- 7.2 [Basic Economics] Externalities in the Basic Market Model
- 7.3 [Economic Policy] Approaches
- 7.4 [Recent Reform] Öko-Steuer, Emission Trading and More
- 7.5 [Current Debate] Energiewende
- 7.6 Electricity

PART III MACROECONOMIC PERSPECTIVES

Chapter 8 Growth: The Faded Miracle

- 8.1 [Basic Facts] Growth in Germany
- 8.2 [Basic Economics] Growth Theory
- 8.3 [Basic Economics] Growth Policies
- 8.4 [Economic Policy] Lisbon Strategy
- 8.5 [Current Debate] Growth Strategies – A Success in Germany?

Chapter 9 Money: From D-Mark to Euro

- 9.1 [History Lesson] Attitudes towards Inflation
- 9.2 [Basic Economics] Money, Prices, and Inflation
- 9.3 [Economic Policy] Mandates for Central Banks
- 9.4 [Economic Policy] Monetary Union
- 9.5 [Institutional Setup] Deutsche Bundesbank and European Central Bank in the European System of Central Banks (ESCB) and the Eurosystem
- 9.6 [Current Debate] Euro Zone: Growing or Breaking Up?

Chapter 10 Government Budget and Debt

- 10.1 [Basic Facts] Government Finances
- 10.2 [Recent Reform] German Income Tax Reforms
- 10.3 [Basic Economics] Deficit-Debt-Dynamics
- 10.4 [Institutional Setup] European Stability and Growth Pact (SGP)
- 10.5 [Institutional Setup] German Schuldenbremse: New national fiscal rule
- 10.6 [Current Debate] Budget Consolidation Plans in Summer 2010

PART IV DISTRIBUTIVE JUSTICE

Chapter 11 Rich and Poor: The Distribution of Income and Wealth

- 11.1 [Basic Facts] Measuring Inequality
- 11.2 [Basic Economics] Labour Market Inequality
- 11.3 [Economic Policy] Reducing Inequality and Poverty
- 11.4 [Current Debate] Unconditional Basic Income (Grundeinkommen)

Chapter 12 Demographic Change, Intergenerational Justice and the Pension System

- 12.1 [Basic Facts] Population
- 12.2 Demographic Change
- 12.3 Families
- 12.4 Migration

PART V GERMANY AND THE EAST

Chapter 13 * German Reunification: Fast Track Transition to a Market Economy and Slow “Aufbau Ost”

Chapter 14 Germany's New Neighbours: New European Union Member States in Central and Eastern Europe

14.1 [Basic Facts] Trade

14.2 [Basic Facts] Foreign Direct Investment

14.3 [Basic Facts] Migration

14.4 Effects on Germany

14.5 [Current Debate] Recent and Future Enlargements of the European Union

PART VI SELECTED TOPICS

Chapter 15 Banking, Financial, Economic and Debt Crisis

15.1 [History Lesson] German and International Experience with Banking Crises

15.2 [Basic Economics] Bank Failures, Bank Runs and Banking Crises

15.3 [Economic Policy] Preventing Instability of the banking sector

15.4 *[Institutional Setup] Basel Agreements

15.5 *[Institutional Setup] The German Banking System and the Bundesanstalt für Finanzaufsicht (BaFin)

15.6 Current Banking Crisis: From US to Germany

15.7 Current Financial Crisis

15.8 Current Economic Crisis: The Downturn of the Real Economy

15.9 [Economic Policy] Bank Rescue Packages

15.10 [Economic Policy] Stimulus Packages

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