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The German Economic Model: a strategy for Europe?

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With the burn-out of economic policies based on the stimulation of growth by consumption and debt, growth strategies that are founded on business competitiveness and the control of public accounts now seem to be winning solutions in terms of activity and also unemployment. Although it is not alone in typifying this approach, notably in Europe, Germany is an archetype of this kind of strategy. Although it forms a core policy in emerging from the crisis in the euro zone the German economic model is not very well known however.

The German model comprised an original response to the crisis in the 1930's and to the imperatives of post-war reconstruction. Rejecting state intervention, Keynesian as in the USA and the UK, and Colbertist according to the French model, the most important aspect of the German model is the protection of fair and ordered competition. The economic policy pursues the goal of stability that is designed to moderate levies on the economy as far as the budgetary tool is concerned and to avoid the discretionary change of price formation on the markets or the distortion of burden sharing as far as the monetary tool is concerned. The focus of the German growth model is the company, the lever for economic performance and place of social integration. Comprising a "community of responsibility" made up of employers, who count on qualified labour and employees, who are aware that the financial strength of the production tool is the safest guarantee against the dangers of unemployment, German businesses focus on long term strategies.

Challenged by the burden of the reunification – 1900 billion € over 20 years – Germany responded with reforms that received the support of the major political groups, so that the model could rise to the challenge of increasing globalisation. At a time when most developed economies are searching to loosen the noose of debt by implementing particularly restrictive policies, Germany stands out thanks to sustained growth and an extremely low unemployment rate.

At a time when most European economies are questioning the balance between economic performance and social protection, Germany is showing that both are part of an effective alchemy in the era of globalisation. If we look carefully we can see that the German model borrows from old European traditions, from the North of Italy to the hanseatic cities. Has Germany succeeded in demonstrating the validity of the European model?

With the double crisis, first the world financial crisis and then those of public debt and the euro zone, a striking contrast appeared between economic strategies marked, on the one hand, by the active use of economic policies designed to stimulate permanently debt-financed consumption and by strategies based on the control of deficits, debt and business competitiveness on the other. On the one hand there are countries like the USA, UK and France and on the other, Germany and other virtuous countries in the euro zone.

In a book dated 1991 Michel Albert^[1] pointed to the fundamental features of the two "liberal" models in economic strategy. Just over twenty years later the comparative analysis of the two models is of interest again for a host of reasons, which are related to their confrontation with two decades of widespread globalisation. In France, as in most euro zone countries, the issue is twice as pertinent because of the problem raised by the compatibility and effectiveness of the economic models employed by its various members. After two years of turbulence the 17 euro zone Member States drew up a solu-

1. Michel Albert, *Capitalisme contre capitalisme*, Paris, Seuil, 1991.

tion to emerge from the crisis combining the parallel development of a significant increase in financial solidarity and greater integration of budgetary policy. But the base of this budgetary programme that includes all euro zone states reflects an economic strategy founded on business competitiveness.

In the Anglo-Saxon model, including in the neo-liberal version adopted at the beginning of the 1980's – sometimes called "supply-side Keynesianism" and in France, where the Keynesian vulgate flattered the national culture of State interventionism, the basis for growth strategies relies on the supposed stimulatory effect of the discretionary use of economic policies and on the idea that any contraction in the deficit would be detrimental to growth rates.

Conversely in the German model the base of the economic strategy lies in confining economic policy to a limited role. Instead of trying to stimulate activity, it is designed to pursue the goal of stability, with the role of the State mainly being to ensure economic and social order whereby competition can function in a virtuous manner. Growth relies entirely on business competitiveness. Unlike the Anglo-Saxon and French models in which, to a certain extent, economic performance is in conflict with social protection – it is one thing or another – the German economic model aims, in a false kind of paradox, not only to reconcile, but beyond that – to create a dynamic balance between competitiveness and the need for social protection. And so it is not the State that decides the terms in the distribution of productivity gains, the employers and the unions come to a long term agreement on the way to set the distribution formula between capital and work.

Under the weight of the reunification and arbitration that were extremely favourable to the workers from 1980 to 1990 – i.e. wages, the organisation of the labour market –, the German model gave the impression that it was slowing in the face of the extremely successful American and British economic policies until the mid 2000's. The opposite feeling has dominated since then, notably because

of the double financial and external constraint that brought this type of strategy to an abrupt halt, since the markets believe, almost ironically, that they can no longer support this type of approach. Because ultimately the "Keynesian" strategy does not rely on the accumulation of productivity gains from the productive system, but on the hypothesis that the markets can absorb the potentially unlimited financial debt incurred by the States. This line of argument had been supported since the 1980's by the hypothesis of supposedly unlimited, immediately and constantly available liquidity: the markets could support these policies without ever experiencing any limit to the debt. The international financial markets' theory even pretended that those with surplus savings were constantly seeking opportunities to place their funds with public and also private actors. As it was often written in the USA, there was no problem with the balance of payments, since its imbalances were automatically resolved by the world adjustment of surpluses and savings deficits and by the variations in exchange rates. The USA embodied this model of recycling trade surpluses perfectly – those of the Japanese in the 1980's and then the Chinese since the 1990's. In this new paradigm of world finance France saw an opportunity to reconcile the irreconcilable: the relinquishment of adjusting its economy via the exchange rate after its accession to the EMS then the euro, and at the same time enjoying the means to continue distributing unlimited, fictitious social rights. The 2008 crisis revealed that this strategy was but fiction, especially when, unlike the USA, we were not the issuer of a world reference currency. This fiction was all the more surprising in Colbertist France which supposed that the financial markets would accept, because of the States' specific sovereign issuer status, to refinance this type of strategy indefinitely. In the country that constantly criticises the misdemeanours of world finance, its activist economic policy ultimately relies on an increasing dependency on the markets, on the voluntary transfer of its decision making autonomy and its economic sovereignty over to the world's trading places.

Conversely the German strategy relies fundamentally on the rejection of economic dependency on the financial markets since it is free of all types of external constraint. A clear beneficiary of the opening of the world's economies with foreign surpluses of around 4% of the GDP, Germany seems to be providing the winning formula to take advantage of globalisation, whilst strengthening its social protection model and by maintaining its unemployment rates down. Greatly invoked in public controversy, notably since it has demonstrated brilliant results during the crisis, little is known about the Germany model, notably in France where its instrumentalisation can be seen in two ways: a model which is certainly admirable, but which cannot be applied in a totally different economic, social and political reality; a hateful model in which workers are called upon to sacrifice the advantages they have acquired on the altar of capitalist accumulation. And in any case for the workers it would be a fool's deal, the aim being to continue the social domination of the bourgeoisie, the famous *Mittelstand*, which literally means "*middle class*" but which socially indicates the bourgeoisie.

1. THE ORIGINAL FEATURES OF THE SOCIAL MARKET ECONOMY

The origins of the German model reflect the way some German academics from the University of Freiburg-im-Breisgau analysed the 1929 crisis, a trend known as "ordoliberalism". The approach was purposely multi-disciplinary since it brought together economists (Walter Eucken), legal experts (Hans Grosmann Doerth), civil servants (Franz Böhm), and sociologists (Wilhelm Röpke). Ludwig Ehrhard was the political father of the 1948 monetary reform. He was the unshakeable Economy Minister in the governments led by Adenauer and was himself Chancellor from 1963-1966, embodying the strategy of the social market economy. Contrary to the most common response in the USA, the UK and in France –the National Resistance Council's programme – whose interpretation of the 1930's crisis confirmed state intervention, the stabilising role played by economic policies, direct State interven-

tion in the social domain – the Beveridge Plan – the German "ordoliberal" trend post-war, in a country that was probably suffering the trauma of the totalitarian model – both Nazi and Communist in the GDR – drew up a response based on a strong link within the company that aimed to bring together both employers and employees. "Ordoliberalism" developed a political philosophy whereby vital social legitimacy lay in society; the State intervened as a guarantor of a social order which preceded it. In a speech delivered on 21st April 1948 Ludwig Ehrhard lay out its principles: "*We have to free the economy of State constraints. (...) We have to avoid anarchy and the termite State, (...) since only a State which establishes the citizens' freedom and responsibility can legitimately speak on behalf of the people*[2]. » In a lecture at the Collège de France in 1979 Michel Foucault indicated how much Germany's economic success formed political legitimacy: "*The economy produces legitimacy for the State which is the guarantor of this.*[3]"

Ordered competition, the model's base

The goal pursued by "ordoliberalism" is that of an economic order, both social and political, that is "worthy of man", which enables the satisfaction of his material needs and also his moral aspirations (justice, equality, freedom). This is why economic order has to reject wild competition and organise "ordered competition" of which the State is the guarantor. Hence the fierce opposition by this trend of thought against monopolies and cartels deemed an impediment to fair play on the market. This concept does not equate with the minimal liberal State of the 19th century, but opts for a State whose responsibility it is to establish the respect of undistorted competition. This concept – from the Rome to the Maastricht Treaty was adopted by the European Community. If we compare the German concept with the one that dominates in France we see a deep aversion to the Colbertist type of industrial policy which was adopted during the presidency of Général de Gaulle (an "ardent obligation" to plan, the Plan Calcul, development of "national champions" supported by public procurement etc ...).

2. Quoted by Fabrice Pessin, Christophe Strassel, *Le modèle allemand en question*, Paris, *Economica*, 2006.

3. Michel Foucault, *Naissance de la biopolitique – Cours au Collège de France, 1978-1979*, Paris, *Hautes Etudes- Gallimard-Seuil*, p.162

The economic policy – the goal of stability

The “ordoliberal” economic policy is for the greater part based on a rejection of Keynesian ideas. Its role is to guarantee the smooth functioning of the economy. Far from being used to stimulate it, its role is to create stability, and this in the mid-term. Contrary to the trade-off between inflation and unemployment which seemed to be the paradigm of policies in force in the 1960’s-1970’s in the USA, UK and in France, budgetary and monetary policies had to avoid disrupting the determination of prices by the market and competition. The monetary doctrine of the social market economy follows this line of argument. Using the traumatic experience of hyperinflation in the 1920’s and its destructive effects from a social point of view as a base, it was out of the question after the war to employ the monetary policy to stimulate demand or to manage conflicts over profit sharing in an occult manner. In the “ordoliberal” ethic, and beyond the simple economic perspective, monetary activism is nothing more than the disguised transfer of the wealth of some to the benefit of others. This is why money has to be kept out of political conflicts and be transferred to an independent body, i.e. the Central Bank. It is on this basis that the Bundesbank was created in 1957, a model that inspired the creation of the European Central Bank via the Maastricht Treaty in 1992.

The company, the heart of economic strategy and social integration

The other feature of the social market economy, and not the least, is the employers’ and workers’ responsibility in the distribution of wealth produced by the companies. Again, unlike the French model in which social protection fundamentally depends on State intervention, the Germans linked social progress with public interference. The German idea of the company corresponds to a community of wealth that is ultimately based on the responsibility of company managers and their workers (*Mitarbeiter*).

Above all this system works because it is founded on a dense network of many competitive companies that are oriented towards the long term. The

Mittelstand, the true centre of the German economy, means middle sized companies: employing between 250 and 5000 people and making turnovers from 50 million € to 1.5 billion €. But at base it is the qualitative criteria that typifies them. These companies have been in the hands of their founding families for several generations; they pursue financial accumulation goals, which make them extremely strong, which in turn helps them withstand the dangers of capitalism: innovation, investment, export. This formula is a major guarantee for the protection of jobs, notably in times of crisis. The workers have know-how which is built up within the company. Dismissing them simply in response to an economic downturn comprises a major risk for the company that might witness the disappearance of this precious know-how. This is why workers and employers have understood that the best way to guarantee this economic optimum lies in the company’s ability to maintain a financial structure that protects it from economic shocks: wage moderation and the long term protection of employment are the powerful levers in the economic and social model that governs company life. At base employees and employers have understood that the best way to respond both to the risk of unemployment, likewise competitive challenge, is to ensure that there is enough equity finance. This is the power behind the German economy. As Isabelle Bourgeois recalls “*employee and employer now form a community thereby opening up the right to the distribution of wealth: no capital = no work (the employer’s responsibility) – no work=no capital (the workers’ responsibility)*”[4].” But this logic, which seems to depend on economic rationale, is inherently based on a Social Christian value system. In another text Isabelle Bourgeois develops the value system on which the German idea of the company is based: “*We can see this, the German business model, although widespread globally from the point of view of processes, from which it draws its competitiveness, is greatly influenced by the values of a society that has been marked by Protestant ethical and social thought (Enste, 2007), based on the notion of both individual and collective responsibility, which is a source of prosperity – the very thing on which*

4. Isabelle Bourgeois and René Lasserre, *Les PME allemandes, une compétitivité à dimension sociale et humaine*, in *PME 2010*, OSEO, p.195.

the ordoliberal doctrine is based. The very embodiment of these values and norms since they can be defined by the relationship between the owner of capital and the manager (in a direct or indirect form), not only do family businesses, regardless of their size, contribute towards Germany's industrial or more generally economic competitiveness but also, and possibly above all, they contribute towards the sustainable nature of social links. And although the world crisis has affected them severely they have an inherent strategic advantage: oriented towards the long term they have accumulated a reserve of equity which protects them from liquidity problems. Likewise their domestic culture enables them to rely on their own strength to overcome economic risks: in this community of destiny ie the company, workers are prepared to make the necessary sacrifices to withstand the storm; similarly the close links established with the clients, built on confidence born of the respect of commitments – establishes the protection of an informal network of solidarity. It is in this that we should perceive the main reasons for the rapid recovery of the German economy after the crisis of 2008/09. [5] »

In all, by targeting a long term competitive goal, Germany has succeeded in developing its businesses in high value added sectors in which they make significant profits. German products are in demand mainly because of their quality and their reliability. Wage moderation, together with the skilful management of the division of production processes since the opening of the young economies in Eastern Europe, have made it possible to add price advantage to that of the products' priceless quality. Its international industrial specialisation enables Germany to mobilise a qualified labour force in the production processes, a vital condition to guarantee a high level of social protection.

Unlike what has been happening in the UK and the USA since the end of the 1970's, in Germany there has no doctrinal battle of principle against social protection. Unlike the Anglo-Saxon idea, whereby the welfare state aims to bring people

out of poverty, the idea behind social protection in Germany is that it is inseparable from the pact between employees and employers in view of companies' competitiveness. From this point of view the reforms undertaken by Chancellor Schröder – Agenda 2010, the Hartz laws – did not challenge the principle of the German model's social base but responded to the need to adapt to rising international competition ongoing since the 1990's.

Contrary to what we have seen in France, with the Auroux laws to establish the 35 hour working week, in which the State feels justified in protecting workers from the effects of international competition, Germany always rejected the idea of public intervention in the social dialogue established between the company managers and the unions. A fundamental link in the social chain in Germany, the company escapes all types of public intervention in the distribution of productivity gains, whether this is in the establishment of salaries or in the definition of social protection. The latter is of very old origin since in the face of the "Marxist" threat at the time of nascent capitalism, Bismarck laid the first foundation stones of the social protection system based on insurance. The State's role in funding social regimes is a modest one; the social partners are the ones who manage the social insurance regimes in an extremely autonomous manner.

2. ECONOMIC RESULTS AND SOCIAL BALANCE

Whilst the USA's, the UK's and France's economic strategy mainly lies in economic steering, Germany undertakes a long term growth strategy, demonstrating a certain amount of indifference with regard to short term shocks. The post-war economic model has not been modified to any great extent, either due to the reunification or because of increasing globalisation. Whilst the weight of reunification seemed to cause turmoil for about ten years, the general spread and intensification of the globalised economy seemed to strengthen it: hence it has managed to combine sustained growth, social protection and low unemployment levels whilst Germany's partners face the new world order with

5. Isabelle Bourgeois, *PME allemandes : les clés de la performance*, Paris, CIRAC, 2010, p.64.

the feeling that they have to juggle with goals that seemed to be opposites. The German model's results are therefore impressive in the eyes of its European partners, to which everyone, starting with France, has turned for inspiration.

A model shaken by the weight of the reunification

The shock that weighed most on the German model, was of course the reunification. With nearly 1900 billion € in transfers over 20 years, Germany seemed to be struggling in spite of the intrinsic results of the economic model. And then, Germany seemed to be failing in rigour, its public finances were out of control and it was not respecting the Stability and Growth Pact, which had however been established in 1997 on its request in the euro zone at the cost of relinquishing its own national currency. Whether it was from a domestic or foreign point of view observers were quick to point to all of the following: languishing growth – 1.2% on average from 2000-2005 – which budgetary stimulation, including tax reductions did not manage to prevent, the long term recessive effects of an unrealistic exchange rate set at the time of reunification, the exorbitant social advantages enjoyed by German workers, the untenable dualism of German society, split between the East and the West and, of course, a consequence of all of this excessive public accounts and debt beyond the Maastricht criteria: -3.7% and 66% of the GDP in 2004. Finally the unemployment rate was not falling below the 7.5% mark, unlike in the major Anglo-Saxon countries even during an international economic high.

It was these excesses that Chancellor Schröder's Agenda 2010 and the financial consolidation measures undertaken by Angela Merkel intended to attack in-depth. In 2003, health insurance was reformed to keep rising social charges in check, the stabilisation of contribution rates being an absolute imperative. The reform placed emphasis on patients' individual responsibility, whose financial participation increased (increase in patient co-payments). But the reforms that marked Germany's determination to revive its competitive growth

model were those inspired by Peter Hartz, HR Director at Volkswagen. His proposals led to the entry into force of four laws (the so-called Hartz, I, II, III, IV) between 2003 and 2005. In the main it meant reforming the public employment agency which became the Federal Agency for Employment, providing it with greater autonomy according to the British Job Centre model. The re-insertion of the unemployed was facilitated by allowing the creation of independent activities. The system to bring people back to work was toughened up: job seekers now had to accept jobs in which wages were 30% lower than the conventional minima. Finally the unemployment benefit system was reviewed in-depth. The Hartz IV law (2005) did away with aid for the unemployed which were still paid even after the latter had come to the end of their entitlements.

In companies competitiveness agreements were concluded between the management and the unions, the more emblematic of these being set up in major groups (Siemens, Mercedes, Volkswagen, etc.). Across the entire German economy we witnessed a wage moderation policy, often conditioned by the upkeep of a job or the relinquishment of relocation plans. In many cases the workers accepted giving up the 35 hour week and the development of wages that was related more to productivity gains. Hence from 2000 and 2008 the total cost of labour in the manufacturing industry increased by 17% in Germany (+56% in France) which led to an average annual rise in real wages of 1.56% (4.29% in France). In all the hourly cost of labour came out at 29€ (32€ in France).

In the social area Angela Merkel's government added measures that tended to reduce deficits and increase the competitiveness of the productive base. Unlike the French strategy of under taxing consumption, Germany opted to move the revenues of direct debits from production across to consumption. VAT was raised by 3 points on January 1st 2007 passing from 16% to 19%. Conversely companies' social contribution rates were reduced by 1.6 points and the income tax scale was reduced by 11 points.

Apart from the measures taken in a remarkable movement of intellectual and political convergence by the Schröder and Merkel governments, the thing that ultimately typifies the German economic model is the combination of an economic policy oriented towards the moderation of the State's influence and the autonomy of decision on the part of employers and employees in terms of the distribution of productivity gains.

Reforms designed to revive competitiveness

This has been clear since the start and even more so since the mid 2000's when the reduction of public spending in proportion to the GDP went hand in hand with the acceleration in the pace of growth. Whilst the share of public spending represented 45.1% of the GDP in 2000 it only totalled 43.8% in 2008. With the crisis this rate went up to 47.5% in 2009 before dropping to 45% in 2011. This rate is 8 points higher in France which represents overspending of 160 billion €.

The control of spending levies the moderation of obligatory on the economy which do not exceed 40% in Germany. The distribution of levies highlights the German commitment to maintaining a competitive production system. In Germany public levies are the responsibility of companies to a total of 72% and of households to a total of 28% (46% for companies and 54% for households in France). Capital is taxed moderately: 6.9% of the GDP in Germany, 9.8% in France.

In these conditions and opposite to the Keynesian vision, Germany shows that the reduction of public spending and deficits, far from being a bitter potion and a sacrifice is, on the contrary, a condition for growth. Hence since the mid 2000's average annual growth has doubled: +2.4% against half of this over the last five years. In 2009, after experiencing a more serious recession than France (-4.5% against -2.5%), Germany recorded much more sustained growth: 3.6% in 2010, +3% in 2011.

German companies' financial striking power

The moderation of public spending helps to retain a major share of productivity gains within the companies. In Germany the margin (gross operating income/ value added), i.e. the share that is not

distributed to the workers totals 42% (less than 30% in France). Under these circumstances businesses can invest and innovate. Again, contrary to a preconceived idea in France, innovative growth and investment are achieved using equity finance in Germany. R&D spending by German businesses is double that of the French: 50 billion € against 25. More than 70% of it is achieved using equity finance. German businesses hardly resort to public aid measures. The rate of self-financing (gross savings/fixed capital formation) rose sharply in Germany from 80% to 110% between 1998 and 2010. It declined sharply in France over the same period from 110% to 65%. German businesses are particularly profitable: the net rate of return on equity which measures the share of profit kept by the company after all levies and distribution is 19% (5.3% in France). Finally German businesses are typified by an extremely strong financial structure with a total of 56% in terms of capital and provisions of their entire result (40% in France).

It is with this financial striking power that German businesses are able to face the globalised world and also take advantage of it, as illustrated by its trade surpluses: 155 billion €. Hence Germany can count on 335,000 export companies against less than 110,000 in France. Far from eroding its industrial base, as we see in the USA, the UK and in France, Germany has retained a 25% industrial share in its added value. This is a precious advantage at a time when industrial trade still represents 2/3 of the world's total trade, whilst services only comprise 20%.

The effects of this strategy that has been pursued so tenaciously long term, notably since the start of the 2000's, in a bid to ward off the challenge made to the German social protection model under the burden of the reunification, do indeed seem appreciable - especially in this time of crisis and austerity plans implemented both in the euro zone and elsewhere, as in the UK for example. At a time when unemployment rates are rising in Europe - 10% - Germany's is declining: 6.5% in 2011, 5.5% in 2012. Whilst everywhere in Europe young people

are paying the highest price in the crisis – the unemployment rate of young people lies at 25% in France, 40% in Spain – youth unemployment in Germany is exactly the same as the rest of the population. After being criticised by its partners, who pointed to the sacrifice made in terms of wages and consumption on the altar of competitiveness, over the last few months German businesses have increasingly announced that there will be major bonuses and wage increases. Moreover the civil service has just made substantial gains and Angela Merkel announced a 6 billion € decrease in income tax in 2013. Isn't this a challenge in these times of widespread budgetary austerity in Europe?

3. A MODEL FOR EUROPE?

The question which now arises under the spread of the "German" budgetary policy model across Europe is whether this success can inspire its neighbours. The first comment that deserves to be made is that the Germans have not achieved this result because they are Germans, but because they have succeeded in putting a winning formula together. When in the past France has undertaken "German" policies – Barre, Delors, Bérégovoy, Juppé – the same results were achieved as in Germany every time: reduction of deficits, increased growth, reduction of external constraint, a reduction in unemployment. We should remember that at the end of the 1990's when its policy targeted qualifying for the euro, France's situation was better than Germany's. Conversely when Germany gave way to implementing a "French" policy – transfer over to a 35 hour week (1984), budgetary stimulus (1979, 2001) -, the effects were the same as in France: slowing of growth; a decline in public and external accounts, pressure on prices and inertia in the unemployment rate.

Beyond macro-economic results the question that the whole of Europe is asking, both inside and outside the euro zone, is whether it is possible to build an economic model that is adapted to the age of globalisation. Some, notably in the UK, are advocating a "radical" liberal option in which social protec-

tion is reduced to a bare minimum, with everything being done to limit what might impede market mechanisms. France on the other hand is pleading for a strengthening of protectionist mechanisms, the revival of major public investment programmes, a rehabilitation of industrial policies – as it did after the 2008 crisis and as expressed by the President of the Republic in his speech in Toulon in September. To a certain extent the French and British points of view agree to say that there is a contradiction in accepting globalisation and choosing high levels of social protection. The British doctrine pleads in support of social disarmament; the French advocate the strengthening of the protective State to limit the undesirable effects of globalisation. In both cases the heart of the controversy lies in the role played by the State: it is the problem for the heirs of Adam Smith; it is the solution for the descendants of Colbert.

At base the specific feature of the model that Michel Albert called "German" leads us out of a possibly sterile debate since it sets a dual choice, whose options are both infernal. The major lesson offered by the German model – whether we think of its results, for having succeeded in reviving a country crushed by war, for having succeeded in reunifying (and we know how difficult it was – a liberal country and one that was ruined by nearly 40 years of communist totalitarianism), for having successfully faced the challenges of globalisation, to then provide the biggest sums in the rescue plans for Greece and the euro zone – is for having achieved a result not only without sacrificing social protection, but for having strengthened it and at the same time achieving the best results in terms of unemployment.

This "German" model is not just to be found in Germany – it exists in Austria, the Netherlands and the North of Italy. On the arc of a circle which, since the 18th century passed from its origins in Florence – passing through Lyons, then Holland and to end in Hanseatic Germany – this model is Europe's. The Europe of traders and merchants! Far from believing that the human being is a variable

element in a soulless productive model, which is totally oriented to the voracious accumulation of profit – it is based, quite on the contrary – on the driving role of the company as a place where economic results and social integration work together inseparably. Far from standing as a challenger to the State it raises the latter to being the guardian of social rights and fundamental freedoms; economic results expand its means instead of reducing them under the effects of growth that is made sterile because of its levies. This model, described by Alain Peyrefitte in 1995 –is that of a confident society. It is the European model.

And what if Germany has succeeded in demonstrating the value of man and the economic effectiveness of the European society model?



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