The German Economy Is The Largest In Europe

The German economy is different to other world economies as it is labeled a *soziale Marktwirtschaft* or social market economy.

It has reaped the benefits of being a market economy that distinguishes itself from state-dominated ones. The West Germans crafted an economy that would not only help the wealthy retain their wealth but also take into consideration the working class in a competitive market place.

Having said that, the unification of the east and west did call for considerable initiatives on the part of the state to intervene in order to retain the strength of the economy that was holding up West Germany. This unification also brought together a capitalist and socialist economy that perhaps had no precedent. The ramifications of this are still felt on the economic scenes.

The economy of Germany looks to industrial production in the fields of machine tools, automobiles, electronics, aircraft, forestry, Iron and Steel, Mining, glass, and chemicals and is oriented in a big way to exports. Other aspects that contribute to the economy are tourism, fishing, food processing, and agriculture to a lesser extent. Germany supports European integration, not only politically but also especially in commerce by adopting the Euro as its currency.

The West German economy started to look up in 1950 and has never looked back. It did slow down in the 1960s primarily due to the Berlin Wall that blocked a free supply of cheap labor from the eastern side and also due in part to the various moves made by the Bundesbank to ward off the after-effects of too fast a growth.

The federal government soon voted for more powers of intervention to stem the slowdown and came up with *Globalsteuerung*, or global guidance, which were not so much intervention as broad guidelines that would enable uninterrupted growth with no debilitating inflation. But in the 1970s Germany’s GDP fell by 1.4% and there wasn’t any spectacular growth spurt in the German economy as had been expected. Fall in global demand and rise in petroleum prices added to the woes. But by 1978, things started to take a turn for the better and the worst was presumed over.

By the 1980s, under Helmut Kohl, measures were put in place to reduce federal deficit by cutting expenditures and making government regulations flexible to improve the market performance through privatization. State-owned companies such as Volkswagen, Lufthansa, VEBA, and Salzgitter were privatized leading to a considerable reduction in the role of the federal state in the German economy. Meanwhile Asian economies caught up and grabbed their share of world production affecting the German economy to a certain extent.

The late 1980s saw a slow but sure growth which soon gathered momentum to propel it into the twenty-first century.

The German economy today enjoys premier position along with the US and Japan. Its unemployment rate has fallen to a very respectable 5 – 6% though in the eastern regions it teeters at 12%.

Germany has succeeded in retaining its position as the world’s biggest exporter in spite of strong Asian competition. This has buffered the German economy from the worst of the disasters affecting the US economy in recent times.

There is optimism in the air as far as the economy of Germany is concerned in spite of high oil prices and financial market crisis. In fact, Germany considers itself a part of the stabilizing forces and claim to have learned from the Anglo-Saxon mistakes rather than making the same mistakes themselves.