

# The German Economy

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# Topics

- Post World War II Economics
- German Economy vs. American Economy
- Solidarity
- Eurozone Economics

# Post World War II Economics

- World War II destroyed 20% of housing
  - Scorched earth policy
- Food production per capita in 1947 was 51% of its level in 1938
  - Food rations set by occupying powers varied between 1,040 and 1,550 calories per day
- Industrial output in 1947 was 33% of 1938 level



Winston Churchill and Adolf Hitler

# Post World War II Economics

- How would West Germany recover?
  - Elimination of price controls
    - Price controls are an attempt to regulate inflation
  - Reduction of marginal tax rates
    - The amount of tax paid for earnings above a certain level
    - For the median-income German in 1950, with an annual income of a little less than DM2,400, the marginal tax rate was **18 percent**. That same person, had he earned the reichsmark equivalent in 1948, would have been in an **85 percent** tax bracket.



Five Reichsmark note



Five Deutschmark note

# Post World War II Economics

- What about the Marshall Plan?
  - Aid programs only totaled \$2 billion through 1954
  - When aid was at its peak in 1948 and 1949, aid was less than 5% of German national income
  - Other countries that received more aid exhibited lower growth than Germany



Labeling used on  
Marshall Aid packages

# German Economy vs. American Economy

	Germany	America
*Gross Domestic Product	\$3.114 trillion (6)	\$15.08 trillion (2)
Unemployment Rate	6%	9%
**Population below poverty	15.5%	15.1%
Budget surplus/deficit	-1% of GDP	-8.7% of GDP
Debt	\$5.624 trillion	\$14.71 trillion
Population	81,305,856	313,847,465

According to CIA World Fact Book

\*Gross Domestic Product- The combined value of all goods and services produced in a country in one year

\*\*Definition of poverty line varies among countries, especially industrialized countries



# Solidarity in Oberhausen

- \$11,000 debt per capita
  - Higher than anywhere else in Germany
- Borrows \$500,000 a day to stay afloat
- Taxpayers in western Germany have paid more than 1 trillion euros since reunification
- Solidarity Payments continue into 2019
- Oberhausen's current debt \$350 million
- **Oberhausen is now receiving loan offers from some cities in eastern Germany**



Tackenberg elementary school in Oberhausen, slated to close by mid-2015, is one of the casualties of the city's required austerity measures.



# Eurozone Economics

- 27 European Union member states
- 17 EU countries that use the Euro are called the “Eurozone”
- The concept of the EU and the Eurozone is to promote political solidarity among member states
- However, integrating the economies of sovereign nations vis-à-vis a single currency can be considered tantamount to the Articles of Confederation
- The Eurozone is especially vulnerable to economic default of any given member state



German Chancellor Angela Merkel and French President François Hollande dine at “Das Austerity Euro-Café”



# Summary

- Post World War II Economics
  - Price controls eliminated, marginal tax reduced
- German Economy vs. American Economy
- Solidarity
  - Domestic economic policy of using money from the west to “prop up” the east
- Eurozone Economics
  - The debt crisis

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