Executive summary

The Federal Republic of Germany is a typical “consensus democracy.” This greatly influences the country’s public debates over reform, as well as the problems encountered when making such proposals and the likelihood of their implementation. Topics such as Germany’s state debt, employment market, pension system, education and family policy, and the country’s demographic development are high on the reform agenda, as in other OECD countries.

The financial strains resulting from the German reunification have also played a major part in discussions of reform. By international comparison, these various problems have been particularly salient in Germany since the 1990s. Consequently, the chances for fundamental reform have been regarded as being especially slim. In 1997, the use of the word “Reformstau,” meaning “a jam or block on reform,” became widespread. It wasn’t until 2003 that Gerhard Schröder’s government launched the reform project “Agenda 2010,” along with a round of employment market and other sociopolitical reforms, with the serious intent of implementing policy changes that had been discussed for years. The reforms resulted in a certain change of mentality, bringing with them many positive developments, but also heavy financial losses, especially for the unemployed.

In the public sphere, the media and trade unions mainly highlighted the negative impacts of the reforms. The trade unions also openly supported groups which organized political protests and resistance. However, behind closed doors, the trade unions pursued a different policy, in which they agreed to a number of concessions and a moderate wage policy.

However, Schröder’s reforms also failed to receive widespread and lasting support from within his own Social Democratic Party (SPD). The proposals were neither plausibly promoted within the coalition government parties, nor to the broader German public. As a result, the public change in mentality, which could have enabled long-lasting and broad reforms, was relatively short in duration. Schröder was able to implement many of his reforms only by threatening to resign during his second period in office. The reforms of the pension and health systems were heavily criticized. The media and public often linked the subject of the reforms not to the question of whether they would lead
to a secure social state within a globalized world, but rather to whether Schröder still had support from his political party or not.

Due to the fact that the Federal Council is an important veto player within the German political system, the opposition parties also played a part in developing the broad reforms and their content. Although the Schröder government was dependent on the support of the opposition Christian Democratic Union (CDU) and Christian Social Union (CSU) for developing its reforms, in public Schröder himself took all of the criticism for the actual or alleged failings of the “Agenda 2010.” This situation was endemic of larger problems that have consistently resulted from fragmentation and power-sharing within the German political system.

The arrival of the grand coalition between the CDU/CSU and the SPD in 2005 initially resulted in very little change. Although incoming Chancellor Angela Merkel began her term in office stating that no one wanted to make the government partnership succeed as much as she did, events through 2007 showed only mixed results. Paradoxically, the “informal” grand coalition between Schröder’s government and the then-opposition CDU/CSU did not implement any fewer reforms than has the “official” grand coalition in its post-2005 governing period. The overwhelming parliamentary majority held by the government in the Federal Assembly and Federal Council has implemented a number of reforms, including in health policy, pensions, federalism, industrial tax and budgetary consolidation. However, in comparison to the reforms passed under the Schröder government, these changes have so far been neither far-reaching nor extensive.

The basic parameters of the political system have not experienced a great deal of change despite the reform to the federal system in 2006. Germany’s system retains a relatively large number of effective policy veto players, making the implementation of reforms more challenging than in other OECD countries. However, the grand coalition government has been able to play an active role in a number of international reforms. Germany’s capacity for reform is in stark contrast to the willingness of the Merkel government to promote the domestic reform process.

The Merkel-led grand coalition brought a change of the following political aims: In normal political times party elites follow the principle of “vote seeking” and “office seeking.” The grand coalition opened with the promise to use its parliamentary majority for a policy of problem-solving (“policy seeking”). However, Chancellor Merkel’s promise of “Durchregieren” (to govern without mercy) was soon stopped by the usual veto players, such as state-level ministers. The lack of visible strategic planning and the observable
The issue of reform increased in importance for the political elite and the German public in the period under review. The second Schröder government and the succeeding grand coalition adopted some sustainable reforms, in areas such as labor market policy, the structure of the federal system, pension policy, family policy and tax policy. However, the labor market reforms remain controversial with the public. These changes in national politics have been deeply influenced by the reform agenda of the European Union. Nevertheless the political elite and the media seem little aware of the deep impact of this Europeanization. Only a minority part of the present government seems to recognize the way in which EU-driven reforms in turn improve the chances for strengthening the national reform agenda. The government as a whole seems to be deeply struck in its own national borders and concerned with domestic party politics. The CDU’s Merkel in particular is often charged with adopting SPD themes as a means to strengthen her own party for the 2009 elections.

Strategic Outlook

Germany is seen as a laggard in many areas. A large number of international surveys have shown the German public and the political elite the deficiencies of their economic and educational system. Major reform assessments have taken place in recent years. However, these have not been completely successful. The principal question is why the political elite and the public do not now ask for a second stage of reforms.

The following recommendations hold the potential to improve the reform process:

• A second stage of federal reform should bring the individual states genuine real legislative and fiscal autonomy. Federalism can work as a laboratory for new policy solutions and a diffusion of best practices;
• The strategic capacities of the central government should be strengthened in order to bring the government into a better position for future reforms;
• The core executive should be reorganized from an institutional perspective, rendering it able to speak with one voice to the public. A new and convincing approach to reform may help the political elite to regain trust and may
strengthen government responsiveness;

- A new system of monitoring reforms and government activities may advance the effectiveness and efficiency of future reforms. Independent agencies and citizen participation may bring in new momentum and ideas;

- The political elite and the media are today stuck in a situation of permanent political campaigning. Synchronizing state and federal elections may help ameliorate the effects of this near-constant battle for votes; and

- Information about reform issues should be communicated more effectively to the public, as lack of support for reform seems often to result from a lack of good information.

Three things should be kept in mind in the course of future reform. First, the country’s consensus democracy is not only a source of obstacles for future reform; rather, it may also be an instrument leading to the sustainability of reforms. Second, the successful passage of a set of new reform measures will depend on the development of a coherent reform agenda, and its subsequent support by convincing agents of reform. Third, the German government may be more successful in launching new reform initiatives by synchronizing the European and the German reform agendas (especially the Lisbon agenda, which is a promising starting point, and has already been used in the context of family policy).
Status Index

I. Status of democracy

Electoral process

*Fair electoral process*

Score: 10

The provisions of Germany’s Federal Election Law allow for a completely fair and open electoral process. Candidates whose names are not included on a political party’s state lists and who do not apply as direct candidates must obtain 200 signatures of support from German citizens who are themselves entitled to vote. This demonstrates commitment on the part of candidates who put their names forward for election. Psychiatric patients and criminals are the only individuals who are not entitled to vote. The Federal Constitutional Court is the only entity which has the right to ban a political party from taking part in elections.

*Fair electoral campaign*

Score: 10

The German Interstate Broadcasting Agreement ensures that all political parties receive air time on public broadcasting stations for short campaign advertisements during elections. The largest TV broadcasters, ARD and ZDF, are forbidden to favor any particular political party. As a result, each party receives an amount of air time relating to the percentage of the vote it obtained in the previous election. The situation for privately owned broadcasters is different. Political parties can buy additional air time for their electoral campaigns on the channels SAT 1, RTL and Pro Sieben.

Since the larger parties have more financial resources for their respective electoral campaigns, they dominate this field in comparison to smaller political parties. Moreover, in the past, private broadcasters have given preference to parties that shared their political ideologies, especially the Christian Democratic Union (CDU). In 2005 there was a public debate on whether only the top candidates from the CDU and Social Democratic Party (SPD) should
take place in public TV debates.

The Free Democratic Party (FDP), a smaller rival, protested against this notion to the Federal Constitutional Court. However, the court rejected the case, finding that the idea was not sufficiently discriminatory toward smaller political parties to overturn.

Any citizen in Germany who is 18 years or older, and fulfils the criteria for German nationality outlined in the Basic Constitutional Law, is entitled to vote. Only a court is able to take away a person’s right to vote. Citizens must be registered on an electoral list, which is updated at regular intervals. Those who are prevented from voting in person are entitled to vote in advance by mail. This possibility, which can be utilized at very short notice, has become increasingly popular in recent years. There are no recently reported cases of citizens having difficulty in voting or being unfairly prevented from voting.

Access to information

Freedom of opinion and the freedom of movement are very highly regarded in Germany, in political terms as well as being a part of the country’s Basic Constitutional Law. This can be linked to the country’s experience during the period of National Socialism, when the press was consolidated and controlled by the government.

Today, Germany’s media and press have taken on a kind of watchdog function. This role began in the early years of the Federal Republic, developing in particular during the 1960s, thanks to the “Spiegel Affair,” into what it is today. The public media corporations are obliged to be objective and apolitical. Different societal political groups are represented on the Broadcasting Council, which oversees television programs to ensure that they don’t promote particular societal or political groups.

However, some experts believe that Germany’s press freedom has declined in recent years. A recent Federal Constitutional Court decision, following a Federal Criminal Police Office inspection of editorial offices belonging to the magazine “Cicero,” is thought to have contributed to this reduction. The German Journalists’ Union and the Reporters Without Borders group have charged repeatedly in recent years that journalists’ rights have been decreased.

Germany does not have a capital city or single dominant media market comparable to Paris or London. The media industry in Germany is characterized by territorial diversity, with multiple media centers such as Hamburg and Munich.
There is a discernible concentration in ownership structures within the country, with a few private media groups taking dominant roles at the head of the market. The large public TV broadcasters ARD and ZDF, and the private stations RTL, Pro Sieben and SAT 1, together reach more than 90 percent of German television viewers. Various institutions such as the Interstate Treaty on Broadcasting and Telemedia and the German Commission on Concentration in the Media ensure that no media corporation can obtain a dominant, monopolistic position. Each individual media group remains below the threshold of a 30 percent market share.

In January 2006, the proposed merger of the Axel Springer and Pro Sieben media groups was prevented by the Federal Cartel Office and the Commission on Concentration in the Media. The merger of a powerful editorial house and a TV broadcaster would have led to an unacceptable concentration of power, and a reduction in Germany’s media plurality. Large editorial houses such as Bertelsmann/Gruner and Jahr, together with the Bauer publishing house, Burda and Springer, own a high percentage of the most popular magazines.

In 2006, Germany’s Freedom of Information Law came into force. This domestic law, implementing an EU regulation, obliges Germany’s state authorities to provide citizens with official information and documents when asked. During the first year following the law’s implementation, only 2200 requests for official information were made by journalists and citizens. There are certain exceptions contained in the legislation, especially in cases when information and data concerning persons is requested. Critics argue that the service’s high fees hinder the process, dissuading many citizens from requesting information.

Civil rights

The German Basic Constitutional Law and catalogue of civil rights came as a direct result of the country’s experiences under National Socialism and its regime of terror. Individual citizens are able to bring cases before the Federal Constitutional Court in Karlsruhe in order to guarantee that the rights contained in the German Constitution are adhered to.

This right is often exercised by citizens, but the court upholds the issue and investigates citizen complaints in only a very small number of cases. The majority of cases are inadmissible for formal reasons and therefore dismissed.

In the course of producing Germany’s anti-terrorist policy, there has been widespread public debate over the extent to which basic civil rights can be abridged in the fight against fundamentalist Islamic terrorism. There is a
conflict of opinion regarding this issue between the political parties, as well as within the incumbent coalition government.

The Federal Constitutional Court has consistently shown through its decisions that it takes its role as guardian of the Basic Constitutional Law and civil rights very seriously. Nevertheless, independent groups such as Amnesty International and Human Rights Watch often complain that suspected terrorists are not afforded adequate legal protection in the course of international anti-terrorism actions, in which Germany is involved.

Article 3 of the Basic Constitutional Law and the General Equal Treatment Act, introduced on the basis of four EU directives, together provide the legal framework prohibiting discrimination based on sex, age, race, religion and other specific grounds. The implementation of the General Equal Treatment Act was strongly contested by the parties then in opposition – the CDU and the affiliated Christian Social Union (CSU), and the Free Democratic Party (FDP).

These parties, together with employers’ associations, criticized the Gerhard Schröder government, and in particular the Green Party, for using European ideals as a pretext for creating regulations going beyond EU guidelines.

When compared internationally, the difference in wages received by men and women for doing the same job in Germany is still high. Experts also claim that there is a weak “anti-discrimination ethos” within the country, a phenomenon that has been shown in surveys made on the subject. A report published by the Council of Europe in 2007 highlighted that the rights of Sinti and Roma in Germany, as well as of the Sorbian minority (a small group of people in East Germany) should be improved.

Rule of law

The German state has long been based on the principle that every act of its authorities must have a legal basis. Should this not be the case, a complaint can be brought before the German courts against the act in question. The principle of the rule of law effectively has two consequences: the limitation and legitimization of state/federal actions.

This principle is codified in the German Basic Constitutional Law, and affects every act of the German state, both in theory and in practice. The high level of foreign investment in Germany is due to the substantial level of legal security within the country. However, debates over regulatory policy have been going on for years, caused by concerns that levels of regulation are excessive and cause unnecessary delays in public development plans.
This is due to the constant stream of complaints submitted by citizens, which can delay or prevent government projects. There are also discussions over whether the costs associated with legal security and the high level of bureaucracy actually dissuade potential investors. As a result, the federal government and the European Union each have developed programs aimed at reducing the level of bureaucracy. Nevertheless, the principle of legal security is highly valued, and is something no one really wants to change.

The organization of the legal system is characterized by the principle of federalism. Courts and jurisprudence exist on both the state and the federal level. Only the highest courts, such as the Federal Court of Justice and the Federal Employment Court, are federal institutions. Courts at the middle and lower levels are state bodies.

Further features of the German legal system include the complete independence of its judges, the separation of specific subject matter into different courts (i.e., administrative, employment and social courts) and the strict election criteria for judges, which leads to a high level of professionalism. At the pinnacle of the system is the Federal Constitutional Court, which is regarded as one of the strongest constitutional courts internationally.

Through its numerous decisions, this court has led to modifications being made in federal government policy, earning it considerable respect throughout the country. Its strong position results from the independence of its judges. They are elected for a period of 12 years by a committee of the Federal Assembly or Federal Council with a two-thirds majority.

Judges cannot be re-elected, preventing them from tailoring decisions to ensure their own re-election. It also shields their decisions from political pressure. One problem recently discussed in the public sphere is the excessive workload faced by courts at all levels, and a corresponding lack of personnel and financial resources.

Corruption and bribery of officials and politicians in Germany is kept within limits by legislation, investigative media reporting and a political culture which holds that those in official positions should be incorruptible. However, when compared on this issue to other countries, Germany has only a middle-ranking position. On the Corruption Perception Index (CPI) published in 2006, Germany was placed 16th.

The country has signed the U.N. Convention against Corruption (UNCAC), but has not yet ratified it, due in part to apparent conflict with certain regulations in the German Criminal Code relating to the bribery of civil servants.

In the 2006 – 2007 time period, the Federal Constitutional Court dealt with
nine complaints against members of the German Federal Assembly who failed to publish the amount of income they had earned beyond their official wages. The court held in favor of the defendants, stating that the Federal Assembly’s regulations on behavior were compatible with the country’s Basic Constitutional Law.

In 2005, when Chancellor Gerhard Schröder ended his term in office and took a top position at Russian gas producer Gazprom, the action triggered public debate over whether a cooling-off period should be required for politicians who leave a term in office to take up a position at private firms.

II. Economic and policy-specific performance

<table>
<thead>
<tr>
<th>Basic socioeconomic parameters</th>
<th>score</th>
<th>value</th>
<th>year</th>
</tr>
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<tbody>
<tr>
<td>GDP p.c.</td>
<td>4.32</td>
<td>30777 $</td>
<td>2005</td>
</tr>
<tr>
<td>Potential growth</td>
<td>1.57</td>
<td>1.6 %</td>
<td>2008</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>5.5</td>
<td>8.4 %</td>
<td>2006</td>
</tr>
<tr>
<td>Labor force growth</td>
<td>1.88</td>
<td>-0.2 %</td>
<td>2007-2008</td>
</tr>
<tr>
<td>Gini coefficient</td>
<td>8.31</td>
<td>0.333</td>
<td>2000</td>
</tr>
<tr>
<td>Foreign trade</td>
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<td>3.93</td>
<td>2005</td>
</tr>
<tr>
<td>Inflation rate</td>
<td>8.47</td>
<td>2.2 %</td>
<td>2007</td>
</tr>
<tr>
<td>Real interest rates</td>
<td>7.69</td>
<td>2 %</td>
<td>2007</td>
</tr>
</tbody>
</table>

A Economy and employment

Labor market policy

Score: 7

By international standards, Germany’s labor market has a comparatively high level of unemployment and inflexible regulations. Traditionally, protecting employees against layoffs has been preferred to having a flexible employment market that offers little job protection, but a high likelihood of employment elsewhere.
In 2005, the number of registered unemployed reached 5 million – the highest amount since 1949. Passing this symbolic figure led to public shock and contributed to the SPD’s election loss in the autumn of 2005. At the beginning of his center-left government, Chancellor Schröder had frequently referred to his aim of reducing unemployment, saying that his administration’s success should be measured against the reduction in unemployment that occurred.

Extensive labor market policy reforms also took place under the auspices of the Agenda 2010 project, bringing about improvements and a genuine paradigm change “from status protection to basic income support,” as one expert points out. The reforms – together with the German economic revival – first really started taking effect in early 2005, with the beginnings of the grand coalition under Angela Merkel as chancellor. However, large disparities between the former East and West Germany remain. Although the unemployment rate in the West reached 9.2 percent between 2001 and 2006 in the West, it hit 19.8 percent in the East.

**Enterprise policy**

Score: 7

Despite public criticism, Germany is an attractive location for both foreign and domestic investment. This remains true despite a high level of regulation and bureaucracy by international standards, according to expert opinion. The ready availability of capital and the high level of innovation make Germany attractive for foreign investors. In addition, the grand coalition government increased investment for research and development in the 2006 – 2009 time period, and aims to reduce costs caused by bureaucracy with the introduction of a supervisory committee.

Investment in small and medium-sized businesses is felt to be of central importance, as these employ about 70 percent of German workers. The government initiated a number of programs in 2006 specifically targeted at small and medium-sized businesses.

**Tax policy**

Score: 6

By international comparison, the German tax system is seen as uncompetitive and extremely complicated, due to the number of exceptions it allows. However, this assessment may be a bit unfair. A large number of German social welfare policies, including sickness, accident, unemployment and old-age funds, are in fact financed primarily through insurance contributions and not by tax revenues per se. These contributions, generally split in equal shares
between employer and employee, are not taken into account here, though it bears mention that such policies are likely to depress employment relative to policies funded through taxation.

The Schröder government undertook several reforms aimed at reducing the tax burden on industries. Angela Merkel’s government has continued this trend, introducing a further industrial tax reform in March 2007. This reform aims to reduce the tax burden on industries from 38 percent to less than 30 percent. The federal and state governments receive approximately €140 billion euro in value-added tax (VAT) per year. The VAT was increased to 19 percent in 2005, leading to a marked increase in consumers’ financial burden. Further reforms include the reduction of the highest tax rate from 45 percent to 42 percent and the abolition of tax subsidies for commuters and tax advantages provided to home-builders. Despite such reforms, the German public still feels that their tax system lacks transparency.

**Budgetary policy**

Germany’s budgetary policy between 2002 and 2005 was consistently been in breach of the European Stability and Growth Pact. Despite Germany’s strong stance against other EU member states in 1997 regarding the Stability and Growth Pact, the country itself constantly breached the agreement’s 3 percent annual budget deficit criteria, putting the government under enormous pressure and severely damaging its image. However, an improving economy, which led to an increase in tax revenue, along with the grand coalition’s fiscal consolidation, meant that the country’s budget was balanced in 2007.

Finance Minister Peer Steinbrueck used European pressure to his advantage in order to combat the wishes of his fellow ministry colleagues. This shows that budgetary constraints implemented by the European Union are considerably more effective than the deficit-prevention rules contained in the German constitution. Article 115 of the Basic Constitutional Law states that state borrowing cannot be higher than its proposed budgetary investments. However, this rule has been ignored in recent years, due to the argument that it distorts overall economic balance. In such cases, the Basic Constitutional Law allows a higher level of state borrowing.
B Social affairs

Health policy

Health care in Germany is widely available, broadly inclusive, generally of high quality and quite expensive. The country’s health policy has been subject to constant reform over many years. The principles underlying the system, that is to provide medically necessary care to all SHI insurees, together with growing demand, have seemingly pushed the country’s system to its limits. Indeed, German health care is – in absolute terms – very expensive when compared to other developed nations’ systems. Given that contributions to health insurance are borne by employees and employers, any future reforms which aim to limit health care costs should also help limit the country’s non-wage labor costs.

In 2007, the grand coalition devised an extensive health care reform plan that aims to reduce costs by increasing competition between service providers, and contained provisions to bring 200,000 previously uninsured citizens into the medical system, introducing for the first time, universal health insurance, with an obligation to take out health insurance and – for insurers – to take on applicants.

Today, public criticism is still leveled at what some see as a “two-class” system. However, the country’s public health care system as a whole is still good in covering 90 percent of the population and providing patients with state of the art medical care. The financial basis is less solid, raising the question of whether quality can be sustained in the future.

Social cohesion

In Germany, public social security expenditures are high. These are financed by a constantly rising proportion of tax transfers, and by growing social insurance contributions. The latter causes increasing non-wage labor costs. At the same time, the population’s total share of income from public transfers has risen considerably, and still accounts for a significant part of German incomes across all levels. However, the poverty rate rose during the economic downturn between 2000 and 2005. Government policy has seemed unable either to prevent poverty or limit socioeconomic disparities. This has contributed to a controversial political debate about a new German underclass. According to a 2006 study from the Friedrich-Ebert-Stiftung, a foundation close to the Social
Democratic Party (SPD), about 6 million people (8 percent of the German population) belong to the “alienated precariat.” This new term, a mixture of “precarious” and “proletariat,” was introduced by this study to categorize the poorest and most demoralized group within society. While there is a consensus in this debate that unemployment is the chief cause of poverty and social disintegration, experts disagree about the effect of recent labor market reforms. The government has announced several initiatives to tackle the problem of poverty, with a particular focus on the educational system.

**Family policy**

Family policy in Germany has been subject to radical reform. For many years, public policies in the old West German states were conceived in support of a traditional image of the family. Transfer and tax policies supported this model, for example by providing negative financial incentives for spouses’ labor market participation. Moreover, policies to promote women’s employment fell short, leading to a relatively low labor force participation rate by women, especially among those with children. This problem was heightened by insufficient child care infrastructure in the old Länder.

However, the grand coalition government has made extensive policy changes. In hopes of increasing Germany’s low birth rate, a new income-replacement scheme has been created. This has raised the share of households receiving child-rearing benefits, and provides incentives for mothers to return to work earlier. In contrast to the traditional family model, the new system grants an additional benefit if the second parent takes two months of leave to care for the child. In addition, the government plans to triple the number of day care places up to 750,000 by 2013, although the means of financing of this reform remains a source of debate. Beginning in the year 2013, every one year old old will have a legal claim to child care. However, Germany’s current child-care infrastructure still falls short of demand, and is seen as a major constraint on the combination of parenting and labor market participation.

**Pension policy**

The German public pension system has experienced a financial crisis, and has been subject to major reforms in recent years. The Schröder government (1998 – 2005) introduced a new public-private mix, with state subsidies for voluntary participation in the second (private) pillar. Furthermore, a sustainability factor was introduced to adjust the system to changing conditions.
Angela Merkel’s government, which took office in 2005, introduced an increase in the statutory retirement age from 65 years to 67 years, which will take effect gradually until 2029. This is seen as a major step towards long-term fiscal sustainability. These reforms have brought the pension system much more in line with its changing environment, and come close to balancing fiscal sustainability, intergenerational equity and the prevention of poverty.

C Security and integration policy

Security policy

Germany’s external security policy protects citizens against security risks. The country follows a multilateral policy approach, with its foreign and external security policy embedded in the framework of NATO, EU and U.N. cooperation. While NATO is still the primary focus for external security, both the European Security and Defense Policy (ESDP) and the Common Foreign and Security Policy (CFSP) have gained in importance. With regard to new security risks and challenges since the mid-1990s, Germany has contributed to various peacekeeping missions and to the fight against terrorism. In 2007, more than 7000 members of the German military forces participated in international missions.

However, public support for Germany’s military engagement abroad is limited. Likewise, there is no consensus behind increased defense spending. Germany’s military expenditures are relatively low as a share of GDP, and remain below NATO benchmarks. At the same time, the military is overdue for a comprehensive transformation toward a deployment-oriented structure. This reform process must accompany a debate about the need for a professional army.

German internal security policy protects citizens against security risks very effectively. Germany’s homicide rate was lower than the EU average in 2001. The clear rise in violent crimes may be due to an increased willingness to report violent offences, while unreported criminality is declining.

In the German federal political system, internal security jurisdiction is divided both horizontally and vertically. One the one hand, police jurisdiction is divided between the federal level and the state level. A sector-specific conference of interior ministers assures cooperation between individual federal states and vertical coordination with the federal level. On the other hand, jurisdiction is divided horizontally between police forces and special offices for
the protection of the constitution at both the federal and the state level. 

German internal security policy is well integrated in the framework of EU police cooperation, and Germany strongly promotes this cooperation. Here again, the sector-specific conference of interior ministers is of central importance for the coordination of security policy between the state and EU levels, with the federal Ministry of the Interior as intermediary.

However, Germany does face challenges to internal security. Right-wing extremist activities, and to a lesser extent activities by left-wing extremists, are seen as an increasing problem. The country is also threatened by terrorism. In July 2007, a plot to bomb trains failed when the explosive devices did not detonate. In September 2007, security forces arrested three people planning another bomb attack. These events have stirred up debate in the grand coalition and in public, with a focus on whether police forces should be strengthened, and on the need for broader federal security powers.

Germany security policy has reacted to the new threat of terrorism. In the aftermath of the 9/11 attacks in New York, the country’s parliament quickly passed two packages of laws to fight terrorism and prevent further attacks. In December 2006, a new counterterrorist database was created to provide all federal and state security agencies with required information. German security agencies also contribute to international counterterrorist activities, working both within the framework of EU police cooperation and with the United States. Likewise, Germany has participated in the international fight against terrorism, sending military forces in Afghanistan and Africa.

Germany also contributes to international missions promoting neighborhood stability, both with NATO allies and with the country’s EU partners, as in the case of the EU-led peacekeeping mission in Bosnia and Herzegovina. However, the country’s military’s air- and sealift capabilities show marked deficiencies, limiting Germany’s ability to field rapid response forces.

**Integration policy**

While Germany has a long history of immigration and a high share of foreign-born residents in its population (about 13 percent), efforts to promote immigration have only recently been undertaken. For a long time, immigration was seen as a temporary phenomenon, which did not demand a long-term integration policy. However, recent years have seen progress in the country’s immigration system and a change in Germany’s approach to integration policy.

In 2005, the Immigration Act entered into force. For the first time, a common integration policy affecting all immigrants was contained in a single legislative
framework, and a new Federal Office for Migration and Refugees was established. In 2006, a first integration summit was held, bringing together the federal government, state and local authorities, associations representing immigrants, and other non-governmental actors. As a result of this summit, a national integration plan was adopted, containing around 400 measures and voluntary commitments regarding integration policy. However, immigrants’ labor market situation emphasizes the need for further integration measures. Figures show high unemployment rates, overrepresentation in low-skill occupational sectors, and low vocational training participation by immigrants. A considerable gap remains between the educational attainments achieved by first- and second-generation immigrants and native Germans. This gap is believed to contribute to the broader integration problems.

D Sustainability

Environmental policy

Score: 8

With public opinion in support of environment protection, environmental policy is given high priority in Germany. From 1998 to 2005, the Green Party was part of the government’s ruling coalition. Since 2005, the grand coalition’s environmental policy has primarily focused on climate policy. As a result, Germany has achieved considerable progress in environmental protection. For example, freshwater consumption has been significantly reduced and the ratio of carbon emissions to GDP is considerably below the OECD average. The Kyoto environmental treaty’s target of a 21 percent reduction in greenhouse gas emissions is still in theory realizable. A boom in the construction of wind, solar and biomass installations has doubled the country’s renewable energy share from 6 percent in 2000 to 12 percent in 2006. The country also cooperates with other EU members and at the international level on environmental issues. However, concerns about the economic costs of environmental policy remain, especially in industry circles. Despite earlier agreement on a policy to phase out nuclear power facilities, the issue remains a subject of discussion. Some experts say that Germany’s environmental policy should be more cost-efficient. Germany also facilitates environmental policy cooperation both within the EU framework and internationally.

Research and innovation policy

Score: 8

Due to stagnating R&D expenditures in recent years, Germany’s relative
international position has weakened. Aware of the crucial role of innovation in the overall economy, the government developed a “High-Tech Strategy for Germany” in 2006. This involves all ministries relevant to research and development, and aims at enhancing the coordination between individual ministries’ innovation policies. The strategy also encourages cooperation between industry and science, especially with regard to Germany’s large public research establishments. Through 2009, the strategy will make €15 billion available to small and medium-sized enterprises working with cutting-edge technologies or performing research and innovation activities.

Germany’s regulatory burden and taxation policies hamper innovation in small and medium-sized enterprises. Therefore, research and innovation should be promoted through tax breaks. Additionally, demographic change is seen as a major risk to future innovation, especially in conjunction with the education system’s poor performance.

**Education policy**

In comparison with other OECD country’s, the achievements of Germany’s education policy are only average. The OECD’s Program for International Student Assessment (PISA) study in 2001, in which Germany scored below average, identified two main reasons for this mediocre performance. First, large differences existed between the rankings of individual federal states. Second, students’ social backgrounds had a larger impact on achievement in Germany than was the OECD average, leading to unequal opportunities.

Education policy has now become a political priority. The PISA results led to lively debates over full-day schools, on the adoption of assessment criteria, and on the implementation of centralized written exams for secondary students. Several measures have already been taken, such as the reduction of years required to graduate from the gymnasium level (a secondary schooling level) in some federal states.

Reforms have also taken place at German universities. Germany has been a participant in the Bologna Process, which has led to the introduction of the two-cycle study system featuring bachelor’s and master’s degree courses. The country has also sought to improve research standards by promoting competition, with an “Excellence Initiative” providing top universities with special financial support. Furthermore, tuition fees have been introduced in several federal states.
Management Index

I. Executive Capacity

<table>
<thead>
<tr>
<th>Prime minister</th>
<th>Parties in government</th>
<th>Type</th>
<th>Mode of termination</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gerhard Schröder</td>
<td>Social Democratic Party (SPD), Alliance ’90/Greens (Greens)</td>
<td>minimal winning coalition</td>
<td>5</td>
<td>10/02-10/05</td>
</tr>
<tr>
<td>Angela Merkel</td>
<td>Social Democratic Party (SPD), Christian Democratic Party (CDU/CSU)</td>
<td>minimal winning coalition</td>
<td>-</td>
<td>11/05-</td>
</tr>
</tbody>
</table>

* The following modes of termination should be distinguished: elections = 1; voluntary resignation of the prime minister = 2; resignation of prime minister due to health reasons = 3; dissension within cabinet (coalition breaks up) = 4; lack of parliamentary support = 5; intervention by head of state = 6; broadening of the coalition = 7.

A Steering capability: preparing and formulating policies

Strategic capacity

In 2005, the Merkel government introduced a new planning unit at the Federal Chancellery. The head of this unit received the status of minister without portfolio, rather than being named a state secretary. The idea behind this change was to strengthen the chancellery’s position vis-à-vis the prime ministers of the states.

However, this unit’s ability to strengthen the government’s strategic planning is constrained by the principle of ministerial autonomy and by the nature of the coalition government. The planning unit’s impact is rather low, and has found itself often overwhelmed with day-to-day government business.

The most important avenue for political, rather than genuinely strategic...
planning, are the meetings and communications between the chancellor, the vice chancellor and the heads of the government coalition parties. More broadly, the federal system presents its own challenges to strategic planning in Germany.

**Scientific advice**

With only a few exceptions, independent academics have not historically played a central role in advising the German government. The influence held by the German Council of Economic Experts or the Council of Environmental Affairs is small compared to that of their counterparts in the United Kingdom or the United States. However, in recent times most federal ministries have begun to rely on at least some outside academic and non-academic experts. The Berlin think tank culture in particular has improved in recent years, giving ministers a richer potential source of policy analysis.

**Inter-ministerial coordination**

**GO expertise**

The Federal Chancellery has so-called mirror units assigned to monitor the activity of each of the ministries. These units do not automatically evaluate the draft bills of individual departments. The ministries are autonomous and well prepared for the policy-making process. The chancellery’s influence is restrained by the principle of departmental autonomy. However, Germany’s EU presidency in the first half of 2007 offered a telling demonstration of the Federal Chancellery’s expertise and management efficiency.

**GO gatekeeping**

The Federal Chancellery does not act as a formal gatekeeper for policy proposals. Experts say that ministries willing to push through their proposed bills are normally able to do so. This holds also true for the grand coalition. However, the chancellery sets the agenda for weekly cabinet meetings, giving it an informal right to block unwanted draft bills.

**Line ministries**

The broad outline of the political agenda is determined by the chancellor. Policy development is the task of the line ministries, which have a comparatively wide scope to pursue their own political agenda. The departments regularly communicate with the Federal Chancellery. However, departments controlled by the government coalition’s junior partner have a high degree of autonomy. While it is often observed that the chancellor’s demands are given top priority, departments have significant autonomy in drafting proposals during the normal course of business.

**Cabinet committees**

Cabinet committees are rather weak, and are rarely used to settle disputes or to prepare political initiatives. Indeed, few recent reforms, major or minor, have been prepared or discussed in ministerial or cabinet committees. Rather,
the weekly meeting of state secretaries is typically where the resolution of conflict between ministries is attempted. In many cases this mechanism does not work very well, and dispute settlement is handed over to informal or ad hoc coalition bodies, in which top officials of the coalition parties work out compromises.

Cabinet meeting agendas are prepared by the Federal Chancellery. However, senior ministry officials play a major role in preparing and reviewing the details of the agenda. The cabinet meetings are said to be relatively insignificant, with little true discussion of issues taking place.

There is a large number of interministerial bodies and working groups that coordinate draft proposals. However, ministry civil servants are said to avoid making proposals that they expect other ministries to block. Levels of ex ante coordination between civil servants are generally not high. Proposals and draft bills are often discussed in public before any coordination in these interministerial bodies takes place. The grand coalition has seen many examples of this strategy, with public discussion taking place relatively early in the policy-making process. The Federal Ministry of Finance and the Federal Ministry of Justice play a special role, respectively providing financial and constitutional review of draft bills.

Regulatory impact assessments

The 2000 revised Joint Procedural Code calls for regulatory impact assessments (RIAs) of draft bills made by the Federal Ministry of Economics and Technology. RIAs are also a major focus of the European Union agenda, although member states follow different strategies. The focus of the German RIA system is not primarily on promoting competitiveness, but on simplifying legislation.

In 2006 the German government established a new body, called the “Normenkontrollrat,” tasked with reducing the bureaucratic costs of passed bills. The body does not operate as an independent watchdog, however. Experts say there is little evidence to date that the RIA system has substantially changed the law-making process or the resulting bureaucracy.

The Federal Ministry of the Interior’s RIA guidelines call for a needs analysis and an explication of necessity for any new regulation. However, strong ideological interest in a particular regulation’s passage may sometimes taint the impartiality of the RIA process.
**Alternative options**  
Score: **4**

RIA guidelines require an analysis of alternative regulatory options. However, this process can be tainted by bias, if a strong ideological interest in a proposal exists.

**Societal consultation**

Historically, German governments have worked closely with civil society groups including business organizations and trade unions. During the law-making process societal groups are invited to comment on draft bills and to give suggestions for revision.

However, experts say this process has taken on an increasingly ad-hoc character in recent years, and differs substantially from policy to policy. The Schröder government established many semi-institutionalized expert bodies to prepare proposals, which also partly served to circumvent the traditional parliamentary and partisan coordination processes.

The period of this review saw major changes in the traditional corporatist routine, with a loosening of ties between the SPD and the major trade unions. Ties between the CDU, business associations and churches, the conservative party’s traditional partners, have also loosened somewhat.

**Policy communication**

The federal government’s Press and Information Office is responsible for the government’s official communication policy. However, this giant department cannot guarantee genuinely coherent communication.

Experts note that cabinet members are generally unwilling to commit to speaking with a single voice. Under the grand coalition, in which both partners have sought to establish a clear and distinct profile for the next election, this disharmony has grown worse. There have been no major attempts to improve communication policy in the period under review.
B Resource efficiency: implementing policies

<table>
<thead>
<tr>
<th>Legislative efficiency</th>
<th>Bills envisaged in the government’s work program</th>
<th>241</th>
</tr>
</thead>
<tbody>
<tr>
<td>Veto players</td>
<td>Government-sponsored bills adopted</td>
<td>205</td>
</tr>
<tr>
<td></td>
<td>Second chamber vetos</td>
<td>2</td>
</tr>
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<td></td>
<td>Head of state vetos</td>
<td>2</td>
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<td></td>
<td>Court vetos</td>
<td>2</td>
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</table>

Effective implementation

By the end of Gerhard Schröder’s term in office, his government had lost its
ability to implement its reform program. After 2005, the new government’s
huge parliamentary majority in the Federal Assembly and Federal Council
gave incoming Chancellor Angela Merkel the chance to achieve some major
reforms in the first year, including on issues of federalism, the value-added
tax, health care and child care. Throughout the grand coalition’s term, the
primary problem facing the government has been the development of
consensus around policy objectives and their relative priorities.

Ministerial compliance is poor. Germany’s political culture and traditions of
government give every minister wide-ranging autonomy. The coalition
agreement does not restrain personal ambitions and policy proposals of
ministers, despite political guidelines issued by the chancellor. Policy options
tend to be developed in a disorganized and often chaotic manner, and only
rarely in the relatively structured settings of cabinet or coalition committees.
Similarly, the final results of policy-making often stem from a minimal level
of compromise.

The Federal Chancellery is not well prepared to monitor line ministries, and
much ministerial work takes place without direct government knowledge. As
noted, the German political culture gives the ministries wide autonomy.
Ministries held by a party other than the chancellor’s are traditionally
unwilling to coordinate activities closely with the chancellery. There is
communication between the line ministries and the “mirror units” of the
chancellery, but this often takes the minimal form of information exchange,
rather than true coordination.
Monitoring agencies
Score: 9

Most laws in German federal system are implemented by the individual states. In this sense, the central government effectively uses the state agencies on its own behalf. The so-called process of functional supervision involves the review of decisions taken by state agencies. In the period under review, some problem areas have been identified, including a lack of incentives to collect tax revenues in full, inadequate coordination of transport and waterways, problems with controlling costs in a variety of joint obligations, issues with social insurance in the agricultural sector and a lack of readiness for civil emergencies.

Task funding
Score: 7

Traditionally, the funding of tasks delegated by the central state to the subnational level has been a source of considerable dispute in Germany. However, the most recent round of reform to the federal system brought major improvements (joint financing was abolished by the first stage of the federal reform). In general, the central government provides sufficient funds to finance tasks delegated to state and local administrations. State governments have a strong ability to halt implementation of a measure if it affects their own finances in a significantly negative way.

Constitutional discretion
Score: 7

Local government has a strong tradition in Germany. A complicated system of fiscal solidarity ensures that even relatively poor states are able to use their constitutional scope of discretion. However, in recent years the Federal Constitutional Court and the federal legislature have relaxed this system somewhat, allowing wealthier states to retain more of their own revenues.

National standards
Score: 9

Public services and public utilities are provided by different levels of administration and government, including the central, regional level and local levels. The provision of utilities in accordance with national standards is regarded as effective, and provides more or less uniform standards of living in Germany. However, in eastern Germany (and also in some western regions) many local governments suffer from a lack of financial resources that impairs what is otherwise a generally egalitarian framework.

C International cooperation: incorporating reform impulses

Domestic adaptability
Score: 7

Interministerial coordination with regards to Germany’s European policy is regarded as less effective than that of the French or British system. In the 1990s, pressure emanating from globalization and Europeanization led to the creation of departmental units at federal and state ministries specifically
tasked with handling EU-related processes. These adaptations have had mixed results, as the government is otherwise organized in patterns established at the end of the 19th century, and in the postwar period. The high levels of ministerial autonomy make it difficult to reach a common position regarding day-to-day negotiations at the EU level.

**External adaptability**

As the biggest European Union member state, Germany takes part in all EU reform initiatives that have international effects. The German state and German businesses are active, and from time to time have been very successful, in setting standards and winning support for German models (e.g., the European Central Bank) and governing practices at the European and international levels. Joint EU reform initiatives tend to strengthen forces advocating for reform at home, especially in the areas of social security, family policy (e.g., child care initiatives designed to cope with the Lisbon agenda) and labor market issues. This situation has evolved somewhat in recent times. Some experts have argued that Germany’s ability to propagate its own institutional preferences at the EU level has fallen. However, others note that the country’s primary goals for integration have been met, and that the country’s policymakers thus have fewer outstanding goals to pursue on a European basis.

In the 1980s, talk of “Modell Deutschland” was very popular in debates over international policy reform. However, Germany’s position as a role model declined in the 1990s, and today the opposite seems true. Experts say that Germany has not played a leading role in exporting reform, because its own domestic reform efforts are in fact lagging in many important policy areas. However, the country’s embrace of environmental technology seems to be an important exception, and has become a widely accepted model in the international debate over climate change. Recent reform discourse in Germany has been deeply influenced by best-practice solutions found in other European states.

During the period of this analysis, the German government has tried to export its own national reform program (e.g., reduction of bureaucratic costs) to the European reform agenda. The government is optimistic then to “re-import” a European solution for what is effectively a German problem. The results of this strategy have been mixed.
D Institutional learning: structures of self-monitoring and -reform

Organizational reform capacity

There have been some recent attempts to create a self-monitoring system in Germany. The New Public Management agenda brought some progress by putting new stress on the monitoring of processes and their output. A newly created body, the National Regulatory Control Council (Normenkontrollrat), has been tasked with evaluating bureaucratic costs, but has only limited capacity to monitor political programs.

Institutional reform

Reforms in Germany are often discussed in the context of and legitimized by pressure attributed to “globalization” or “Europeanization.” The recent reform of the federal system was discussed on these grounds. One major aim of the reform was to improve the federal system’s institutional fitness and capacity to cope with European policies and politics. However, the country has had little general discussion – particularly compared to other European countries – of how to improve the administration’s strategic capacities in institutional terms.

II. Executive accountability

E Citizens: evaluative and participatory competencies

Knowledge of government policy and political attitudes

After World War II, the Western allies and German politicians promoted a civic education program aimed at the formation of a real civic culture. On the federal and state levels there are Centers for Civic Education, which help to broaden the public’s policy knowledge by circulating high-quality information. Empirical data sources such as the European Social Survey show that Germans are interested in politics, and that they rank in the middle of most surveys that try to evaluate public levels of political knowledge. As in other European countries, German citizens’ level of knowledge about government policy varies substantially by social status and age.
F Parliament: information and control resources

Structures and resources of parliament, committees, parliamentary parties and deputies

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<table>
<thead>
<tr>
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<th></th>
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<tbody>
<tr>
<td>Number of deputies</td>
<td>598</td>
</tr>
<tr>
<td>Number of parliamentary committees</td>
<td>22</td>
</tr>
<tr>
<td>Average number of committee members</td>
<td>29</td>
</tr>
<tr>
<td>Average number of subcommittee members</td>
<td>10</td>
</tr>
<tr>
<td>Pro-government committee chairs appointed</td>
<td>16</td>
</tr>
<tr>
<td>Deputy expert staff size</td>
<td>2</td>
</tr>
<tr>
<td>Total parliamentary group expert support staff</td>
<td>143</td>
</tr>
<tr>
<td>Total parliamentary expert support staff</td>
<td>725</td>
</tr>
</tbody>
</table>

Obtaining documents
Score: 9

The government provides parliamentary committees with all requested documents. Many documents can be viewed directly or ordered at the Federal Assembly’s Web site. These documents are also available at many larger libraries. Exceptions to this policy of free access to documents are rarely observed.

Summoning ministers
Score: 10

According to Germany’s Basic Law, all parliamentary committees have the right to compel ministers to appear for hearings.

Summoning experts
Score: 10

Parliamentary committees have the right to summon experts or speakers from lobbying and other interest organizations. This right is regularly used in the Federal Assembly. However, this process has become politicized, with each party tending to invite experts who support their own ideological perspective.

Task area coincidence
Score: 9

The strong position of Germany’s Federal Assembly can be explained by the correspondingly strong institutional position of its committees. Every ministry task area is monitored by a corresponding permanent committee, enabling an effective system of oversight. There are only a few committees, dealing with specific issue areas such as human rights, which do not directly correspond to the ministry structure.
The Federal Audit Office and the states’ audit offices are independent of the executive and of the judiciary. Audit office reports at both levels are generally published. Well-documented cases of irregular activity are sometimes the starting point for administrative reforms.

The Federal Assembly has a standing Petitions Committee, and similar bodies exist on the state level. In recent years, this institution has seen a growing number of petitions submitted, but experts say the body’s symbolic role is more substantial than its practical political power.

G Intermediary organizations: professional and advisory capacities

Media, parties and interest associations

TV and radio provide regular in-depth, high-quality information programming, which gives the public the opportunity to be well informed. Program diversity is extremely high. However, the number of talk shows and infotainment shows are increasing, and with broadcasters competing for ratings in a way that only partially involves policy-focused programming.

Parliamentary election results as of 9/18/2005

<table>
<thead>
<tr>
<th>Name of party</th>
<th>Acronym</th>
<th>% of votes</th>
<th>% of mandates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Democratic Party</td>
<td>SPD</td>
<td>34.2</td>
<td>36.16</td>
</tr>
<tr>
<td>Christian Democratic Party</td>
<td>CDU</td>
<td>27.8</td>
<td>29.32</td>
</tr>
<tr>
<td>Free Democratic Party</td>
<td>FDP</td>
<td>9.8</td>
<td>9.93</td>
</tr>
<tr>
<td>Left Party</td>
<td>Die Linke</td>
<td>8.7</td>
<td>8.79</td>
</tr>
<tr>
<td>Alliance ’90/Greens</td>
<td>Greens</td>
<td>8.1</td>
<td>8.31</td>
</tr>
<tr>
<td>Christian Social Union</td>
<td>CSU</td>
<td>7.4</td>
<td>7.49</td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td>4</td>
<td>0</td>
</tr>
</tbody>
</table>

The manifestos of the two major parties in Germany, the Social Democratic Party (SPD) and the Christian Democratic Party (CDU), are the products of
**Score: 7**

Typical catch-all parties. They respectively reflect each party’s internal fragmentation and the opinions of different wings. As a result, both party programs often lack coherence. However, both tend to be strong in terms of identifying specific problems and policy objectives to be addressed, and offer reasonably good description of proposed measure and their potential impact.

**Association competence**

Major interest groups, in particular unions and employers associations, participate in the policy-making process by offering well-founded and realistic reform proposals. However, some experts argue that interest associations have become more ideological in recent years, which has led to less reasonable proposals.

**Association relevance**

Interest group proposals are taken into account, as their expertise enhances decision-making, the government’s legitimacy and its electoral success. Due to a lack of well-institutionalized corporatist structures, interest associations seek direct access to the government and to members of parliament. Politicians’ ideological position tends to help determine which interest associations they believe to be relevant.
This country report is part of the Sustainable Governance Indicators 2009 project, which assesses and compares the reform capacities of the OECD member states.

More on the SGI 2009 at www.sgi-network.org

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