

# **Industry and Politics in West Germany**

TOWARD THE  
THIRD REPUBLIC

EDITED BY

Peter J. Katzenstein

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in West Germany*

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CORNELL UNIVERSITY PRESS

*Ithaca and London*

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First published 1989 by Cornell University Press.

International Standard Book Number 0-8014-2357-0 (cloth)

International Standard Book Number 0-8014-9595-4 (paper)

Library of Congress Catalog Card Number 89-31033

Printed in the United States of America

*Librarians: Library of Congress cataloging information  
appears on the last page of the book.*

*The paper in this book is acid-free and meets the guidelines for permanence  
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*Industry and Politics  
in West Germany*

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## *Preface*

The 1980s have been characterized by dynamic technological developments and the rise of new competitors in the international economy. The industrial system offers us a template for analyzing the political consequences of these rapid changes. Existing studies in political economy typically focus on one level of political action: the shop floor, or national politics, or the international system. The temptation is almost irresistible to magnify the importance of empirical findings at one level by extrapolating to the other two. This book differs from conventional studies in that it analyzes the implications of change at all three levels, ranging over a number of manufacturing and service sectors. Broadly speaking, it challenges the notion that the 1980s should be painted only in lively, bright hues—or, alternatively, only in brooding, dark colors.

This style of multilevel analysis should be applicable to all industrial states, but our focus here is the Federal Republic of Germany. The vexing problems of stability and change have been prime sources of concern for students of modern German history. Between the mid-nineteenth and mid-twentieth centuries dynamic changes transformed Germany but came into conflict with the international balance of power. This dynamism was a fundamental cause of two world wars. In the 1980s, this book argues, the political consequences of change in the heart of Europe are less ominous. Forty years after the founding of West Germany, we are witnessing a movement toward a third West German republic. The title of this book conveys the conviction that West German politics since 1949 should be viewed within a broad, comparative framework. Furthermore, changes in political regimes since 1949 merit closer attention than they have received from specialists preoccupied with comparing the Federal Republic to German regimes before 1945. In the



## PREFACE

1980s West German politics appears to have evolved into a process of dynamic adjustment within stable institutions.

This book has two intellectual origins. Over the years my research and teaching had given me a substantial familiarity with the politics of industry in the United States and Japan; yet I knew very little about the same subject in West Germany. Furthermore, a frequent reaction of colleagues and German specialists to draft chapters of my *Policy and Politics in West Germany*, published in 1987, was general approval with the proviso that, of course, everything I had written about had changed in recent years. Since that book did not systematically cover developments in the 1980s, my analysis was dated even before publication. I was puzzled by this reaction, but it convinced me to think of a research project designed to deal with the consequences of change for West German politics in the 1980s, specifically the politics of industry, about which I wanted to learn more.

This project would have been impossible without financial and logistical support from a variety of sources. The German Marshall Fund of the United States and the Volkswagenwerk Foundation jointly financed a workshop and a conference that provided the opportunity to discuss drafts of chapters. Cornell University's Center for International Studies and the Wissenschaftszentrum Berlin hosted these two meetings and provided the necessary logistical and administrative support. I thank, in particular, Kay Rice of Cornell and Gernot Grabher of the Science Center, without whose generous and efficient help I could not have organized the two meetings. The German Academic Exchange Service (DAAD) awarded me a "Study Visit to the F.R.G." grant, which supported an exploratory trip in 1985.

Project participants benefited greatly from critical comments and suggestions of scholars invited to attend the two meetings. The Cornell workshop was attended by Steven Caldwell, Alice Cook, Michael Goldfield, Gernot Grabher, Stephen Hamilton, Michael Hannan, Sheila Jasanoﬀ, Peter Johnson, Harry Katz, Herbert Kitschelt, Ikuo Kume, David Patton, T. J. Pempel, Jonas Pontusson, Simon Reich, Charles Sabel, Sidney Tarrow, Norbert Walter, and Lynne Wozniak. The conference in Berlin was attended by Elmar Altvater, Alice Cook, Christopher Deutschmann, Hans-Jürgen Ewers, Gernot Grabher, Hansjörg Herr, Peter Johnson, Ulrich Jürgens, Herbert Kitschelt, Hans Maier, Jürgen Müller, Frieder Naschold, Joachim Niebuhr, Bernhard Roth, Ronald Roth, Manfred Schmidt, Georg Voruba, and Norbert Walter.

One of the intentions of this project was to provide an American audience with a political assessment of West Germany's political economy in the 1980s. My West German colleagues thus committed them-

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## PART I

# INTRODUCTION



## CHAPTER ONE

# *Industry in a Changing West Germany*

PETER J. KATZENSTEIN

For a generation West Germany has enjoyed spectacular success in dealing with economic and social change. The 1950s witnessed a “miracle” of economic reconstruction and social consolidation. With some justification an astute observer of the 1950s called the Federal Republic the “Fourth and Richest Reich.”<sup>1</sup> In the 1960s, the Federal Republic managed the transition to lower economic growth rates in an increasingly liberal international economy. It adjusted so well to the economic turbulence of the 1970s that West Germany was often referred to as a “model.”<sup>2</sup>

But the prolonged worldwide recession after the second oil shock of 1979 changed our political assessments. Balance-of-payment deficits in the early 1980s, sharp increases in unemployment, a deterioration in the political climate between business and labor, the rise of new social movements, and a sharp pruning of the welfare state by 1983 had undermined West German self-confidence and dampened foreign admiration. In its infatuation with new Asian competitors the American business press, for example, was all but writing off West Germany and with it all of Western Europe. West Germans themselves became deeply

For their comments, criticisms, and suggestions on several drafts of this chapter I thank the authors in this volume, as well as Michael Goldfield, Peter Hall, Jeremy Rabkin, Sidney Tarrow, and the members of the seminar “State and Capitalism since 1800” at the Center for European Studies at Harvard University.

1. Edwin Hartrich, *The Fourth and Richest Reich* (New York: Macmillan, 1980).

2. Peter J. Katzenstein, “Problem or Model? West Germany in the 1980s,” *World Politics* 32 (July 1980): 577–98; Andrei S. Markovits, ed., *The Political Economy of West Germany: Modell Deutschland* (New York: Praeger, 1982).

worried over lagging too far behind the United States and Japan in the development of critical high-technology products and production processes.<sup>3</sup> In 1984 a cover of *The Economist* made fun of the West Germans by asserting that "Germans do get so glum."<sup>4</sup> The weekly *Der Spiegel* ran a series on the arteriosclerosis of the West German economy.<sup>5</sup> And in a very critical, scholarly study Bruce Scott concluded that "Germany has lost relative market share in the high technology categories. . . . In addition the Germans appear to be losing relative strength in passenger cars, machine tools, construction equipment and rubber products. The German portfolio appears to be deteriorating to a striking degree, a phenomenon that could have unfavorable future implications for their capacity to earn their standard of living in the years ahead."<sup>6</sup> The German miracle and model, it appeared, had become the German muddle.

Yet by 1986, despite stubbornly high unemployment, the Federal Republic was once again brimming with self-confidence. With one of the lowest inflation and highest growth rates in the Organization for Economic Cooperation and Development (OECD), the Federal Republic took a leading role in helping bring down international interest rates, thus spurring international growth. Its trade surplus was running at record levels of about DM 100 billion despite a sharp appreciation of the deutschmark. That year the Federal Republic was the largest exporter in the world. Some analysts pointed to the perfectionist strain of West German business, with its striving for technical excellence; others pointed to its tradition of specialization and complex subcontracting arrangements.<sup>7</sup> The technical competence of its work force was again mentioned frequently. In late 1986 *The Economist's* survey of West Germany was titled "the right to smile."<sup>8</sup> Amplifying on the shift in the economic and journalistic climate, Peter Drucker published a substantial article in the *Wall Street Journal* titled "What We Can Learn from the Germans."<sup>9</sup>

3. Bruce Nussbaum, *The World after Oil: The Shifting Axis of Power and Wealth* (New York: Simon & Schuster, 1983).

4. *The Economist*, 1-7 December 1984. See also, in a similar vein, Alan Reynolds, "Germany: Focusing on the Supply Side," *Wall Street Journal*, 1 June 1988, p. 27, and Josef Joffe, "Lack-lustre Wunderkind at 40: Warning Signs in the German Economy," *German Tribune*, 5 June 1988, p. 5.

5. *Der Spiegel* 39 (25 March 1985): 100-112, and (1 April 1985): 98-112.

6. Bruce R. Scott, "National Strategies: Key to International Competition," in Scott and George C. Lodge, eds., *U.S. Competitiveness in the World Economy* (Boston: Harvard Business School Press, 1985), pp. 71-143.

7. Peter Lawrence, "Some German Business Neuroses Yield Good Dividends," *Wall Street Journal*, 28 November 1984, p. 31; Charles F. Sabel and Gary B. Herrigel, "Losing a Market to a High-Wage Nation," *New York Times*, 14 June 1987, sec. 3, p. 2.

8. *The Economist*, 6 December 1986.

9. Peter Drucker, "What We Can Learn from the Germans," *Wall Street Journal*, 6 March 1986, p. 24.

These rapid swings in the journalistic assessment of West Germany's economic and political fortunes resemble the fever chart of the doctor more than that of the patient. Since we distinguish only dimly between transient and enduring change and do not think systematically about the cumulative or canceling effects of change, such rapid swings in the political assessment of West German developments are probably inevitable. But they are not a sound intellectual foundation on which to base our judgment about the future development of the West German political economy.

### WEST GERMANY'S THREE REPUBLICS

The title of this book differs in two ways from titles of other volumes dealing with contemporary West Germany. It substitutes "West Germany" for "Bonn" and thus sidesteps the comparison of Bonn with Weimar. And it talks about the "Third Republic" rather than the "Third Reich," thus avoiding the exclusive preoccupation with German exceptionalism, military aggression, and the Holocaust. Instead of the deeply ingrained historical anchors for the interpretation of German politics I chose a title that would convey reference points dealing with the present and future, not the past, one that stresses the comparability rather than the exceptionalism of West Germany. This is not to argue that the West Germans or students of Germany should either forget the past or stop worrying over the possibility that, in a different guise, it could repeat itself. But forty years after the founding of the Federal Republic it is time to consider the pattern of change of Germany's longest experiment with democracy. Compared to France, since 1949 that pattern has been marked by the absence of dramatic changes. Chancellor Helmut Schmidt was no Napoleon III. The newspapers did not send us reports of any "Bonn Commune." But considering the violent changes they have created and endured in this century, West Germans recognize small signposts. This book hopes to avoid the temptation of an ahistorical historicism, of constantly comparing West German democracy to the past without recognizing how West German democracy itself has changed since 1949.

Such recognition is essential if we want to put West Germany's recent political evolution into a perspective that points out its politically significant features in the 1980s. I have not chosen to focus on aspects of implied significance which are probably familiar to the readers of this book: the preoccupation with Germany's division in the heart of Europe or the fixation on the inherent instabilities of capitalism. I do not wish to deny that these are two important features of West German politics. But within the framework of this book, the first is too specific and the second



too general. Furthermore, for a very simple reason neither one is very helpful for bringing the changes of the 1980s into focus. Germany remains divided, and capitalism continues to thrive in the Federal Republic. Yet West Germany is somehow changing.

To label that change is a necessary first step for beginning to think more systematically about it. West German politics in the 1980s is not merely an extension of the principles of Social Democracy of the 1970s. Nor is it a return to the principles of Christian Democracy of the 1950s. It is of course, to some extent, both of these. But at the same time in two specific ways it is also different and new. First, a change in the partisan composition of the federal government is juxtaposed with an institutional stability that is remarkable by the standards of other states. Second, a noteworthy continuity in the national institutions is accompanied by widespread experimentation in less visible arenas of politics.

I have analyzed elsewhere the convergence between changes in political coalitions and continuities in national policies.<sup>10</sup> Based on the evidence provided by the authors in this book, my two essays focus on what appears to me to be distinctive about West German politics in the 1980s, the compatibility of institutional stability in national politics with widespread experimentation. This balance between continuity and change in West German politics is novel and deserves the attention of those who wish to understand what the Federal Republic can and what it cannot accomplish in the 1980s and 1990s.

I have chosen here to claim that West Germany has three different republics in part because I want to draw attention to the need for a perspective on West German politics that is uncommon, especially in the United States. The precise dating of each of West Germany's three republics is a matter of convenience. Indeed, some may prefer to talk about different phases in the evolution of West German democracy since 1949. Dietrich Thränhardt, for example, in his recent history of the Federal Republic distinguishes between a first period of economic reconstruction and a chancellor democracy (1949–61), a second period of political reform in domestic and foreign policy (1962–73), and a third period of crisis management in a turbulent global economy since 1974.<sup>11</sup> This periodization has some appeal. It takes account of major international developments such as the Berlin Wall of 1961, the Cuban missile crisis of 1962, and the oil shock of 1973. It points to an era of West German reform starting in 1967 and lasting through the early 1970s that

10. Peter J. Katzenstein, *Policy and Politics in West Germany: The Growth of a Semisovereign State* (Philadelphia: Temple University Press, 1987).

11. Dietrich Thränhardt, *Geschichte der Bundesrepublik Deutschland* (Frankfurt: Suhrkamp, 1986). See also Karl Dietrich Bracher et al., eds., *Geschichte der Bundesrepublik in fünf Bänden* (Stuttgart: Deutsche Verlagsanstalt, 1981–87).