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Germany's Search for Direction (Abstract)

By **Stephan Götz-Richter**

In a fascinating look at national psychology, the author attributes Germany's post-World War II economic miracle to a profound but motivating pessimism, and finds the country's recent economic difficulties accompanied by a show of unwarranted optimism. Noting the Government-inspired nature of these countervailing mood swings, he draws a promising parallel with the United States by concluding that corporate Germany – like corporate America in the 1980's – is working to put the economic miracle back on track.

"Germany's industry is far too skilled and impressive not to be able to regenerate itself," says the author, who praises the ability of many companies to succeed in the face of an inherently strong Deutsche mark and near-exorbitant social costs. Companies are beginning to downsize and globalize more aggressively, directing investment flows out of Germany in search of lower costs and moving their global production portfolio onto a level commensurate with the country's ranking as an economic power.

A coincidental and beneficial outcome of Germany's corporate job-shedding has been an improvement in relations between German companies and the Securities and Exchange Commission in the United States. Many companies have been financing their downsizing by calling on their hidden reserves, an accounting item long frowned upon by the S.E.C. Now that these reserves are dwindling rapidly, the door to Wall Street is opening much wider as exemplified by the much-heralded Big Board listing of Daimler-Benz.

The new operating procedures guiding the corporate sector signal a significant belt-tightening for German society, and one question that remains is whether Germany's "wait-and-see" political leadership is ready to embrace a new dawn. How much longer will it take, for example, to acknowledge the folly of receiving higher pay and higher benefits than all of Germany's competitors? Rediscovering this and other old truths will be good for Germany, and for Europe as a whole, the author says. In the meantime, corporate Germany is busy chasing the American dream.

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