

## BOOK REVIEW

---

### **Germany's Balanced Development: The Real Wealth of a Nation**

**by Kaevan Gazdar**  
**Westport, CT: Quorum Books, 1998**  
**240 pages, \$59.95**

**Reviewed by Meinolf Dierkes and Kristina Vaillant**

Reviewing a book that presents an external perspective on the reviewers' own system makes for an interesting experience. As natives of Germany, we were surprised by aspects of our daily reality and personality that are so familiar that they tend to escape our notice unless we consciously try to see them as outsiders do. Indeed, the very choice of Germany as the basis of this book is unexpected. Most previous examinations of welfare states have focused on the Swedish model, and discussion of wealth creation has long revolved around U.S. and Japanese strategies, which are widely imitated throughout the world. By contrast, Germany has usually served as an example of codetermination in labor relations, which to the U.S. public is more of a nightmare. The fact that Gazdar picks the German model for creating and distributing wealth reveals his passion for the subject, for it is a model whose gestalt is "unspectacular" and "probably not easy to copy" (p. 9).

Gazdar bases his analysis of Germany's balanced development on a concept of wealth that is more qualitative than most classical economic analyses. He also claims to uncover the "hidden strengths" (p. 2) and real wealth of the German economy. Germany's real wealth, according to him, is rooted in the country's social

market economy, which provides for a balance between social, economic, and ecological priorities. He says it is also rooted in Germany's transport system, financial stability, infrastructure of vocational education, and consensus-oriented decision-making. Gazdar even predicts that the German system will "prevail over the more simplistic U.S. and Japanese growth models" (p. 4). Detailing the groundwork for this assessment, the chapters following the book's introduction present a complex and profound analysis of all the elements contributing to this system of creating wealth.

One of the system's foundations is the small business sector. In chapter 1, Gazdar explores this phenomenon from a historical perspective and shows its place in Germany's present reality. Small business in German society not only maintains the ethos of craftsmanship harking back to the medieval guilds, it also "accounts for almost two-thirds of total employment, half of all business turnover in Germany, and over 40% of all investment" (p. 25). This structure and underlying ethos of the German economy helps explain why German industry thrives in some areas, such as machine-building, and not in others, such as the consumer electronics mass market. Small business is as much the "microcosm of

the German economy" [as it is] "the nucleus of the *Mittelstandsgesellschaft* [middle-class society].... It contributes to social cohesion as much as to gross national product" (p. 26).

In chapter 2 Gazdar explores the mind-set of German business, which he calls the TÜV mentality, a reference to Germany's technical control associations. The TÜV mentality thus means technical proficiency combined with organizational efficiency and order through control. This mentality explains why organization, not leadership, is the key to business success in Germany and why "German managers do not constitute a true elite" (p. 53). The example of TÜV and other associations such as the chamber of commerce, highlights the role of associations in forging consensus and hence in creating wealth in Germany.

Chapter 3 is an exploration of the roles that the state, trade unions, and the private sector have in creating wealth in Germany. Gazdar focuses on the architects of Germany's social market economy, including Walter Eucken and Alfred Müller-Armack, and on the legacy of Bismarck, who "established a balance between socioeconomic priorities that has continued to guide wealth creation and distribution in Germany until the present day" (p. 77). Gazdar describes the system of public administration in Germany, which features German-type bureaucrats, the *Beamtentum*. He acknowledges the current criticism of the country's public service for its inefficiency, but emphasizes the "dangers of shortsighted and simplistic reason" (p. 82) that he has found in reports by management consultants. He also acknowledges the high cost (wage levels) incurred by the German model of industrial partnership but still believes that codetermination has been part of the success enjoyed by German business.

Analyzing the socioeconomic foundations of wealth in Germany, Gazdar refers in chapter 4 to Frederick the Great, the 18th century Prussian king whose priorities were financial stability and education, two important elements of the socioeconomic infrastructure in contemporary Germany. The author goes on to describe the Bundesbank and other 20th century financial institutions, the vocational system, and the ivory-tower type of university common in Germany today.

In chapter 5 Gazdar examines the psychological roots of order and commitment by re-

ferring back to the Lutheran faith, which "created the spiritual foundation of the Prussian Ethos" (p. 142). He relates the unrivaled complexity of Kant's and Hegel's thought to the fact that Germany excels in complex sectors like ecotechnology and engineering. Romanticism serves as an explanation for the environmental movement and the significance of innovations in environmental technology.

Chapter 6 is devoted to an analysis of the "compulsive personality" that grows from the psychological roots explored in the previous chapter. The message is that compulsive managerial behavior—the negative side of the TÜV mentality—may result in overengineering and overregulation.

In the final chapter Gazdar shows why Germany's "economic miracle" in the 1950s was less a miracle than economic success that had continued since the 1920s. He argues that even the Nazi era did not represent a break with the foundations of the German economy. "The rhetoric of change contrasts with the reality of continuity" (p. 201). Gazdar is convinced that adherence to patterns derived from the past explains Germany's strong role in the European Union today and "Germany's ability to balance wealth, welfare and well-being which enables the country to master the complexity of sustainability" (p. 216).

The weave of Gazdar's observations about different elements of German society brings out the gestalt-like quality of the system of wealth creation advocated in this book. At several points Gazdar creates the impression of ritual repetition by associating particular phenomena to the Anglo-Saxon emphasis on the collective (or to collective mediocrity). The book would be even more instructive if these connections and conclusions were left up to the reader.

Preferring to delve into history, Gazdar does not go into problems and fears that have fueled public debate in Germany, especially those that figured in the "change" expressed in the national parliamentary elections in the fall of 1998. The widening gap between rich and poor in Germany, youth unemployment and anxiety over lack of funding for social security, public health insurance, and unemployment insurance have all been publicly cast as threats to Germany's middle-class society, which Gazdar himself views as a main pillar of the country's system of wealth creation. The

craft guilds, which he acclaims for their role in creating consensus, stand publicly accused of having a Mafia-like structure that prevents flexibility on the labor market. However, these issues are not explicitly addressed in the book. They reflect a general erosion of collective consensus and hence of the financial stability that Gazdar has shown to be one element of Germany's social market economy.

Current public viewpoints make it obvi-

ous that some of the features Gazdar has identified as foundations of wealth creation are now thought to be limiting. Perhaps the discussion is merely evidence of the German "capacity to complain without suffering" (p. 2), but it should not be ignored in the thorough analysis that this book is claimed to provide. Just as insiders may be blind to the faults of their own system, outsiders may be prone to idealization.

---

**MEINOLF DIERKES** is head of the research group "Organization and Technology" at the Science Center Berlin (Wissenschaftszentrum Berlin für Sozialforschung, WZB) and Visiting Professor at University of California, Berkeley. He is also Professor for Sociology of Science and Technology at the Technical University Berlin (TU) and has worked as a consultant for several firms around the world. His main areas of research are technology and social sciences, as well as society and economic systems.

**KRISTINA VAILLANT** studied communication and art history at the Free University Berlin (FU) and has since worked as a freelance journalist and editor. During the past 2 years she was a research fellow in the research group "Organization and Technology" at the Science Center Berlin (Wissenschaftszentrum Berlin für Sozialforschung, WZB).

---