
The German model as a dialectical relationship: the evolution of German labour relations in the process of monetary integration

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Abstract

Germany's prominent role in the management of the euro crisis has put the spotlight on the German model of political economy. Ensuing academic and policy debates have oscillated between praising the German economy as a yardstick for success that other EU countries should seek to emulate, and vilifying Germany on account of German voters' opposition to Eurozone-wide redistributive policies, opposition interpreted by some as a 'Pavlovian German reflex' (Bonatti and Fracasso, 2013:1024).

This paper bridges the gap between these two seemingly disjointed lines of argument by analysing the German model as a dialectical relationship between Germany's domestic economy and the supranational European framework of which it is part. Such an analysis reveals that Germany has been shaping monetary integration in Europe to the benefit of German exporters since Chancellor Schmidt's internationalisation strategy in the 1970s. German regional hegemony in the European Monetary System (EMS), and later the European Economic and Monetary Union (EMU), has helped preserve the country's competitive edge, but at the same time involved a restructuring of domestic labour relations, in different stages, starting with *Spaltungspolitik* in the 1980s and culminating with the Hartz reforms in the early 2000s. The consequences of this restructuring (specifically, the expansion of non-standard employment, the increase in poverty and inequality, the expansion of Germany's low-wage sector, and the weakening of labour representation within Germany) now refract back onto the supranational level, in the form of a growing dissatisfaction of German workers with the monetary union.

The evolution of German labour relations in the process of monetary integration is, therefore, the missing link between the two strands of debate vis-à-vis Germany's role in the Eurozone, which, once acknowledged, enables us to explain why the average German opposes redistributive policies at the Eurozone level, not as a 'Pavlovian German reflex' but as a result of a worsening of living conditions in Germany (in other words, of an increasingly unequal domestic distribution of hegemonic gains).

Keywords: Germany, EMS, EMU, regional hegemony, labour relations, German model

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