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**What kind of capitalism would we like?**

Economic historian Werner Abelshauser on cultural competitive advantages and what Donald Trump could learn from Otto von Bismarck.

**Interview: Jens Bergmann**
**Photo: Jewgeni Roppel**



Economic historian Werner Abelshauser

**brandeins: Some time ago Wolfgang Streeck, former director of the Max Planck Institute for the Study of Societies, published a book of essays entitled How Will Capitalism End? Essays on a Failing System. Is that a question that interests you, too?**

Werner Abelshauser: Very much so, because everything that has an end can, or rather must, come to an end. Karl Marx himself, no less, predicted that capitalism would destroy itself. However, despite various signs of crisis, this issue is of no immediate concern today. I do not see that this mode of production is threatened at its core in the near future.

**Does it make any kind of sense to talk of capitalism as a single entity?**

Only at a very general level. Capitalism has certain preconditions. These include  private ownership, markets and the drive to accumulate, meaning the urge to achieve surplus value. You might also call it the entrepreneurial spirit. These conditions now exist nearly all over the world since the fall of the Iron Curtain. However, they give rise to very different economic cultures or capitalisms plural if you prefer that term. The ways in which the economy is conceived, organised and practised are so different that, for example, there is no great competition between the USA and Germany but there is between the USA and China.

**Could you explain that in more detail?**

For more than 100 years the strength of the German economy has been in post-industrial made-to-measure production. That means the manufacture of complex machines and systems tailored to the needs of the customer, with a high level of added value not based on the materials used. It depends on training skilled workers. The strength of the USA economy, however, is based on the mass production that takes its name from Henry Ford. The Americans have successfully transferred this principle from old industries such as car manufacturing to new ones such as the IT sector. And in the services sector – from fast-food chains to international law firms. This “Fordist design” needs a few highly qualified people at the top and a lot of less qualified staff who mostly only get basic instruction on how to do their jobs. As these two economic cultures are so very different, we do not tread on the Americans’ toes. The Chinese, by contrast, have commandeered American Fordism, adapted it to their culture and so conquered markets, as millions of American industrial workers have found out the hard way.

**That has had political consequences. Many people in the USA now reject globalisation and the mantra of President Donald Trump is “America first”.**

For good reasons. I can certainly understand Trump’s stance on this issue. A country does not have to accept the global economy developing in a way that is harmful to large sections of the population. In such cases, politics has to intervene, which has so far failed to happen in the USA. Politics can, for example, help with the process of structural change, as happened in Germany with the coal mining and steel areas in North Rhine-Westphalia or the Saarland. Or it can protect certain sectors. The German chancellor Otto von Bismarck was very skilful in the first phase of globalisation towards the end of the 19th century – in a situation that resembles that of the USA today.

**In what way?**

With the rise of the chemical and electrical industries, a new economy emerged in Germany that immediately dominated the world market, definitely comparable with the position of the American IT industry today. At the same time, other industries were in crisis, such as steel and agriculture in the east of the former German empire. That is why in 1879, in the middle of a globalisation hugely beneficial to Germany, Bismarck introduced protective tariffs. They stabilised the country without weakening its position in world markets, because the deal was based on free trade in all other products. Leaving vast numbers of steel or agricultural workers impoverished would have had far worse consequences for Germany and the global economy than a few unimportant tariffs.

**Will Trump prove as shrewd as Bismarck?**

That remains to be seen. At any rate, there is no simple contradiction between free trade and protectionism. All great economic nations have protected certain industries or sectors in the course of their history, and continue to do so. They would not be where they are if they hadn’t.

**You said Germany need not be afraid of the economic power of China. Many politicians and business people take a rather different view.**

This fear is just as uncalled-for as it was in the late 19th century when it first emerged. China was already an up-and-coming power with an efficient economic culture then. It had privately owned businesses on the one hand and strong state control on the other, so not unlike the present system. In Germany, people were very afraid of this so-called “yellow peril”. My counterparts in those days warned of it at every church congress. Engineering firms that exported machines to China were branded traitors. However, as we know, China later disappeared from the world market and did not re-appear again until 1978.

**And China has now overtaken Germany as world champion exporter. Is there still no cause for concern?**

No, because it is German firms that supply China with the technology that makes Fordist production possible there. They are the biggest beneficiaries of the rise of the People’s Republic. But crucially, the institutions supporting our German economic culture are extremely hard to copy. Take the skilled workforce, for instance. It may seem paradoxical, but it is relatively easy to promote an elite. Colleges for training executives or engineers can be set up quite quickly. It is much harder to establish a twin-track system of vocational training, because that depends on co-operation between companies and the state. It took Germany from 1897 to 1938 to consolidate the system of work experience and state vocational training schools.

This type of education also had an impact on industrial relations. The key word is co-determination [co-operation between management and workers]. Skilled people are valuable; you can’t just hire and fire them, or keep them on a short leash. For them, “trust is good, control is expensive. What is more, the German model rests on patient capital, meaning banks and other institutions invest in companies for the long term. It also relies on chambers of commerce and trade associations that help small firms go international. That is one reason why German family firms are doing so well. Not to forget German economic policy, which has traditionally promoted the export of plant and machines for equipping newly industrialising countries. China is just one example. Federal Germany has been consistently pursuing this policy for a long time – with one historical exception.

**When was that?**

In the 1950s and 1960s it was thought that the US model of mass production would work in Germany too, and millions of “guest workers” were recruited who were not skilled and were not intended to be. It took some time before those in politics and business remembered where the strength of the German system lay.

**So what is the lesson to be learned: know your economic culture and remain faithful to it?**

I would say: know your economic culture and exploit the competitive advantages it gives you.

**When you look at the different varieties of capitalism – which would you personally prefer?**

Capitalism thrives on variety. It would be senseless and unproductive to back just one form. Globalisation does not lead to different cultures becoming more alike but rather to them being able to make full use of their respective advantages. That could also be one of the strengths of the EU, because it consists of different economic cultures. There is the Rhineland-type capitalism extending from Scandinavia to northern Italy and from the Seine to the Oder. Then there is the Anglo-Saxon variety in Britain (while it remains a member) and some East European countries. And the Mediterranean capitalism of Spain, Portugal, southern Italy and the south of France, which features family firms and for historical reasons has excellent relations with South America and Africa, for example. My ideal would be a European community that strengthens these cultures and networks them sensibly without harming them.

**Is the euro required for that?**

No. The euro was a political project. Economically, it makes no sense. The EU would be better served by different currencies with fixed exchange rates.

**Earlier, you mentioned signs of a crisis of capitalism. What signs do you mean?**

The biggest problem is the instability of the global financial markets. Since the 1990s a financial capitalism has emerged that is detached from the real economy. One symptom of the crisis is the degree of debt incurred by companies, states and private individuals, as measured against gross domestic product. This figure has trebled around the world since 1975 and in the USA it has risen by even more. If this financing phenomenon gets out of control it will shake the global economy to its core, as we saw in the year 2008. The financial system is the Achilles heel of capitalism – and that applies to all its varieties.