The Pakistan Development Review
31:4 Part II (Winter 1992) pp. 667–680

State Intervention versus Private Initiative: New Challenges for the German Social Market Economy. Any Implications for Pakistan?

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There is a never ending discussion, whether economies of different development levels and cultural and social backgrounds can be compared or not. The protagonists of the modernisation theory – and of many other development theories – believe, that development is a uni-dimensional process, where the late-comers have to follow the same path, which the more advanced already went. Their opponents believe that each economy and each society have their distinct features and have to find and follow their own development patterns.

Germany was a late-comer in industrialisation and suffered serious setbacks later. Its "miracle" reconstruction after World War II has made it prosperous; its economic order may help in mastering the unprecedented challenges set by the Unification and integration of the former East German "Socialist": command economy. Our economic order, however, is not as "free market" oriented, as many believe. With the present shift to more market orientation in the former Second and the Third World, it, therefore, should be worthwhile, to have a closer look at the German "social market economy". This especially applies to Pakistan, with its long tradition of "mixed economy", "welfare state", "Islamic socialism" and "Islamic welfare state".

The paper sets out to analyse ownership, control, and management in all sectors of the German economy and compares them with Pakistan. Except for industrial production, the division of labour between the public and the private sector is almost the same. There should be, therefore, other factors, too, responsible for economic success, which will be discussed in brief. None of these institutions are new, most of them have a tradition of one, some of many centuries. There is, thus, no point, of discarding these institutions as unfit for less wealthy countries – these institutions came up in Germany, when it was much poorer. The paper does not plead that these institutions should be copied. It only emphasises, how important they are.

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SEMANTICS AND TERMINOLOGY

Semantics and terminology are important, because the very same words may have completely different meanings in the German and Pakistani context: If we discuss, for example, the public sector in Germany, we mostly would use our term *Staat*; it has, however, various meanings: state as well as government: in the first meaning it includes the private sector, in the latter meaning, it would be the state machinery only. The English "government" can be translated as *Regierung*, which also includes those who rule, the political leadership as well as the top bureaucracy, whereas in Pakistan everybody in the public service is considered to be "government".

The institutional set ups of the two countries seem to be similar in that way, that both are federal republics, but they differ in so far as in Pakistan the centre is in a much stronger position as compared to the four provinces than in Germany the federal government is with regard to our 16 *Lander*, i.e. states. On the local level, the Pakistani political and administrative institutions are weak as compared to those in Germany. We speak of *Stadte und Gemeinden*, which literally translated would be "towns and communities". The term "community", however, on the subcontinent never is used in this meaning, usually describing ethnic or religious groups. And the German *Kommunalpolitik* certainly is not "communal policy", which would be its literal translation; it means local bodies politics, whereas *Lokalpolitik* has its equivalent in "Local politics". These problems could be dismissed as being mere vocabulary, would it be not for their far reaching consequences.

Take the word "policy", *Politik* in German. Here we do not have a problem of terminology but of implicit meanings. One of the compulsory courses in economics (*Volkswirtschaftslehre*) in Germany is *Wirtschaftspolitik*, "economic policy". This subject usually does not exist in a Pakistani, Indian, British or American syllabus. What you have is "political economy", which usually lays more emphasis on history of thought and on institutions, whereas *Wirtschaftspolitik* extends to applied macro economic theory. Germany has no explicit annual or five year plans, no planning commission, and no economic advisers.[1] As a reaction to the centrally planned command economies of the "socialist" countries, "planning" became some kind of a dirty word, only used by the military, in management and – surprisingly – in development aid. But in practice, the western industrialised capitalist market economics do a considerable amount

[1] *The Sachverstandigenrat zur Beurteilung der gesamtwirtschaftlichen Lage* is a panel of external independent advisors only. *The Mittelfristige Finanzplanung* is a mid-term budget planning.

of planning. Therefore, the present discussion of economic orders and pólicies, even if the same words are being used, may have very different meanings. This constellation exists even if using the same language: fourty years of partition in Germany were not without impact: words like state intervention, private initiative, market, planning, policy, social, had different connotations and implied different implicit values in East and West Germany.

One of the slogans in East Germany immediately before Unification was *Kommt die Mark so bleiben wir, kommt sie nicht, gehn, wir zu ihr*, which in English is "If the Mark does not come here, we shall go to her". In economic terms, this meant the flow of production factors to those places where they would yield the highest returns, once restrictions on factor movements were removed. Since the East Mark hardly had any purchasing power, the people saw no reason to stay. Thus, the West Mark had to be introduced in East Germany three months before Unification. Tearing down the wall, chasing away the old regime, introducing the West Mark and, finally, unifying the country did not solve the problems automatically and instantly. People had set great hopes into discarding of the hated command economy and the switching over to market economy. *Markt* had, almost become a *mantra.*

OWNERSHIP, CONTROL, AND MANAGEMENT

During the 1980s almost everywhere in the world the motto was "set the prices right" and "let the markets rule"; in Germany we had the slogan *Listung mu β sich wieder lohnen*, i.e. "Work must become rewarding again"; the South Asian governments turned to the market, too: Sri Lanka began in 1977, recently Pakistan, and even India and Bangladesh announced their conversion. At a closer look, however, hardly any system in the world rightfully could be termed a "free market economy"; even in the most explicit capitalist countries there is heavy government intervention, and, on the other hand, the so-called socialist countries had small, but substantial, private segments; they ran into trouble trying to eradicate the private sector altogether.

If we compare Germany with Pakistan, there are differences as well as similarities; Pakistan started its industrial development many years later than Germany; both countries saw heavy state intervention, and for the presence, both countries seem to go into the same direction, namely towards liberalisation, deregulation and denationalisation; the latter, however, is more a question of ownership than of management, and here we have a major difference between

Pakistan and Germany, since the German governments never had a major share in industry.[2] Their main concern were infrastructure and services.

Mining, in Germany formerly in the hands of the princes, was gradually taken over by private entrepreneurs in the 19th century, but after coal was outpriced by other primary energy sources, like oil, in the 1960s, most of the coal mines were transferred with substantial government support to the *Ruhrkohle AG*, a private limited company, owned by various government agencies. Now they control almost all German coal production. 'The German mineral oil market is mainly controlled by the multinationals, although the German government tried to help establishing a national mineral oil firm and subsidised German firms searching for oil inside and outside the country. The German oil reserves, however, are not very important, nor were natural gas finds in the German sector of the North Sea. But during the oil crisis of 1973 and after the German *laisses faire* approach, with comparatively little government interference in the oil market, proved to be so successful that indigenisation plans were given up.

The electricity undertakings are organised as private limited companies with a mixed ownership of the public, i.e. the towns and counties on the one hand, and private individuals on the other. Considered to be regional "natural monopolies" their managements enjoy the absence of competition, subject only to a tame state (price) control. With the limited hydel power potential almost totally utilised and wood and peat no longer of any importance for cooking and heating, nuclear energy became the most attractive alternative to coal and oil – at least in the 1960s. In the 1970s people became increasingly aware of the dangers of nuclear energy and started with protests against a nuclear power plant in South West Germany (Wyhl), were fruit growers feared a change of the micro climate. Since almost all electricity undertakings are owned by the state, although mostly organised as private limited companies, any protest against nuclear power plants often meant a direct confrontation with the state and its "law enforcing agencies". Other utilities, like water supply and sewage are run by the local bodies; waste

[2]A major exception was the *Volkswagenwerk*; It was established by the Nazis in the 1930s with the aim of developing and mass producing a reliable and inexpensive people's car. The Volkswagen was ready shortly before World War II and then almost exclusively produced for the German Army. After the War, the original car, the famous beetle, was produced and became an instant success, also in exports, and Volkswagen became the fourth biggest car manufacturer in the world. With the concept of letting the so-called "small man" have his share of capitalism, the company was transformed into a limited company and part of the shares were sold to the public. Later the Federal Government, one of the two major owners, sold their shares, and today only the State of Lower Saxony (*Land Niedersachsen*) holds a minority package. – Likewise, the *Veba*, a utilities and oil corporation, was transferred to the private sector, and today, the government's share in manufacturing industry has become comparatively unimportant.

disposal is also done by private firms.

The financial sector, i.e. banking and insurance, is mainly in private hands. But this again needs qualification, since many institutions have a semi-state/ semi-private status: The *Deutsche Bundesbank* with its subsidiaries in the *Lander*, i.e. the *Landeszentralbanken*, acts as a fairly independent and strong federal reserve bank, an inter-bank, clearing agency, and supervisory board. There are also a number of special financial institutions, owned by the federal and/or state governments, e.g. the *Kreditanstalt fur Wiederaufbau*, which administers German financial aid. The Commercial banks are mostly organised as private limited companies. The *Sparkassen* (savings banks), organised as non-profit organisations and with public guarantors; their central institutions are among the leading banks. Cooperative banks are also traditionally strong. An interesting type of bank was the *bank fur Gemeinwirtschaft*, set up and owned until recently by the Trade Unions.[3]

Insurance companies are mainly privately organised, but quite a number of them as (non profit) mutual insurances. The Trade Unions insurance company was, had to be, however, sold to a private insurance company. Insurances do not play such a significant role as in other countries: this applies especially to life and health insurances, since most of the labour force is covered by the national social security system.[4]

The railways are run by the Federal Government; there is (almost) no long distance bus service. Subways, trams and local bus services are run (and subsidised) by the local bodies. The *Deutsche Lufthansa* is a private limited company, enjoys a *quasi* monopoly and is controlled (although not totally owned) by the Federal Government. Almost all road transport is private, although the German Railways own one of the biggest road transport undertakings. All roads are public, no tolls are as yet levied. Pipelines (oil and gas) are partly owned by the private sector, shipping is private. Postal services (*Deutsche Bundespost*), TV and radio used to be public monopolies; since a few years, private parcel and courier services and private TV and radio stations have been admitted.

Construction and housing, in principle, are private, but especially after World War II, much of reconstruction was organised by public house building companies and cooperatives, the biggest was owned by the Trade Unions. Housing during most of the time was heavily subsidised, for example through tax concessions,

[3] Although successful, it had to be sold to a private insurance company after another trade unions' enterprise, the housing conglomerate *Neue Heimat*, ran into serious financial difficulties.

[4] Germans, thus, spend less of their GNP on private insurances than the citizens of most other OECD countries.

loans at preferential terms, and – less efficiently – through rent subsidies.

Trade is almost exclusively private, although the government plays an important role in agricultural trade within the framework of the Common Agricultural Policy (CAP) of the European Community (EC). Much of the agricultural trade is in the hands of the cooperatives. Consumer cooperatives used to play an eminent role. However recently, *Coop* ran into serious financial difficulties and has been (almost totally) liquidated.

Education, on all levels, is almost exclusively run by the *Lander*, only few institutions are run privately and raise fees; vocational education, the backbone of German industry, is maintained jointly by the private and public sectors (see below). In health services there is a division of labour between the public and private sectors. Hospitals are mostly run either by the state, charitable organisations or the churches; in contrary to many other countries they do not treat (ambulant) outpatients (except in cases of emergency), they are left to the private doctors.

This list of government activities may not conform with the expectations many may have of a capitalist country; it rather resembles that of Pakistan,[5] although for different reasons. Here, like in many other developing countries, the government was given a major role in development for lack of competent institutions. Furthermore, at Independence, the modern sector of the economy was controlled by foreign firms. Taking over foreign firms by the government automatically made the state the largest entrepreneur. Much was in "national" hands, however, already before Independence: railways, the ports, and partly energy, health and education. After Independence basic industries, the rest of energy, the air and shipping lines, banking and insurance were included. The height of nationalisation was reached in the early 1970s, since then the role of government has been criticised with increasing intensity. The military takeover of 1977 brought surprisingly little re-privatisation of industry.[6] Only recently bold steps were taken towards deregulation, although major results still have to be waited for.

THE GERMAN EXPERIENCE RE-ANALYSED

Besides the sectoral composition of the private and public sectors, the modes

[5]One certainly has to disagree with a statement like "There is no public sector worth the name either in Japan or in West Germany, the two most outstanding success stories of the post war period". Cf. Jay DUBASHI: Weak defence. Apologia on the public sector. In: India Today. New Delhi. March 31, 1989, p. 200. The article is a review of Vasant SATHE: Restructuring the public sector in India. New Delhi: Vikas. 1989.

[6]Cf. Syed Nawab Haider Naqvi and A. R Kemal: The privatisation of the public industrial enterprises in Pakistan. In: *The Pakistan Development Review*. 30: 2 105–144.

of government intervention and the organisational set ups may be considered as crucial for Germany's economic success:

One of the main assets of Germany's economy is the quality of its labour force. General education was made compulsory in the German states from the late 18th century onwards; since the late 19th century, Germans can be considered as more or less literate. German children must attend school until their 18th birthday. Presently, more than one quarter of all students continue for higher education, one out of eight students is studying at a university (1990-91: 1.6 mn out of 12.4 mn students).[7] All education is free and scholarships are granted to students coming from poorer families. The dual system of German vocational training guarantees a well trained and highly motivated work force: students after class 9 or 10, sometimes even after *Gymnasium*, i.e. after class 13, go receive their training from a (mostly) private and qualified firm, which will train them in their craft or profession under the supervision of Meister (master craftsman) on three to four days a week; on one to two days in the week they attend public vocational schools for general as well as specialised professional training. At the end of three years of training, there is a practical as well as theoretical test under the joint supervision of the respective organisations of private industry, i.e. the chambers of crafts or the chambers of trade and industry, and the state school board. In addition, many firms have their apprentices trained full-time in special workshops during the first year of their apprenticeship, before they have their on-the-job training during the second and third years. About 75 percent of all German workers take part in this training. Many undergo additional training to become Meister, the only ones allowed to train apprentices.[8] With increasing technical sophistication, most firms have their employees trained, often throughout their professional life.

Another strength of German economy is public administration. Not all persons employed in the public services are civil servants (*Beamte*), but also the others, i.e. employees (*Angestellte*) and workers (*Arbeiter*) enjoy almost the same safety of employment and pay. This allows them to be loyal and incorrupt. In contrary to Pakistan, civil servants are to be found on all levels: even a train conductor or the mail man may be a civil servant. Members of the public services usually join after their (higher) education; additionally, members of the higher services undergo an in-service training. All services have become specialised, transfers are rather the exception; having joined the revenue department, for example,

[7]Former FRG only. Der Fischer Weltalmanach 1992. col. 342.

[8]Aspects of vocational education and training in the Federal Republic of Germany: Her Majesty's Inspectorate: Education observed. London: Her Majesty's Stationery Office. 1991.

this employee most probably will stay in that department for the rest of his working life. Accordingly, people in the civil service may be termed as "specialists"; they do not have to fight for recognition as compared to the "generalists".

There are up to five political levels in Germany: The Federation comprises now 16 *Lander* (states), most of them are subdivided into *Regierungsbezirke* (divisions) and *Kreis* (counties) and – at the lowest level – towns and villages. The citizens elect representatives to the *Bundestag* (Lower House), the *Lander* parliaments, the county councils (mostly indirect) and the local (town and village) bodies, as well as to the European Parliament. The bodies of the lower tiers exert considerable power: Out of total tax revenues of 549 bn DM (1990), those of the Federation were 250 bn DM, of the European Community 23 bn DM, of the *Lander* 189 bn DM and of the local bodies 74 bn DM.[9] Out of 627 bn DM total expenditure of the public households, 172 bn DM or 27 percent were spent by the local bodies.[10]

With financial powers lying with the lower instances, the principle of subsidiarity, i.e. leaving the responsibilities to the lowest possible level, like the family, the religious community, the organisation of crafts, commerce, trade and industry and local administration, is evident. Sovereign power lie often with non- government organisations, like the setting of industrial or safety standards by the Association of German Engineers (*VDI*) or the Technical Supervisory Bodies (*TOV*).

"Social market Economy" became the guiding principle of economic order since 1949: as much market as possible, as little government as needed.[11] This was the belief of the adherents to the *Freiburger Schule* (Freiburg School)[12] of ordo-liberals in the market forces, but at the same time it is acknowledged, that the market will not automatically guarantee an optimal allocation of resources,

[9] Der Fischer Weltalmanach 1992. col. 335-336.

[10] 1987. BT.Drucksache 11/1317. pp. 318sq.

[11] The probably best recount of the *German Wirtschaftswunder* (economic miracle) was written in the mid 1950s: Henry C. WALLICH: Mainsprings of the German revival. Yale studies in economics 5. New Haven: Yale UP. 1955. – Cf. also: Egon SOHMEN: Competition and growth: the lesson of West Germany. In: *The American Economic Review.* 49. 1959. pp. 986-1003. – Experiences and persepectives after fourty years of social market economy were re-examined at the annual meeting of the German Economic Association in 1988: Währungsreform und soziale Marktwirtschaft. Erfahrungen und Perspektiven. Jahrestagung des Vereins für Socialpolitik – Gesellschaft für Wirtschafts – und Sozialwissenschafton in Freiburg i. Br. 1988. Schriften des Vereins fur Socialpolitik. Neue Folge Band 190. Berlin: Duncker and Humblot. 1989. – See especially: Hans WILLGERODT: Wertvorstellungen und theoretische Grundlagen des Konzepts der sozialen Marktwirtschaft. In: Wahrungsreform und soziale Marktwirtschaft. Loc cit. pp. 31–60.

[12] Freiburg, a university town in South West Germany, became famous for economists like F. A. von HAYEK and W. EUCKEN. The latter's best known work is: Principles of economic policy. Hamburg: Rowohlt. 1964 (1959).

especially not with respect to the social components, which need organisation by the public, i.e. the state. According to this belief, only competition guarantees an optimal allocation of resources, but merely, if the state sets the rules and supervises them. The importance of the social component, can be seen from the share of state expenditure including transfers and social security in GNP of 45 percent in 1989. In 1982, it was even 50 percent.[13]

In a society so strongly emphasising order, order itself becomes important as well as the instruments to set and to control it. An effective separation of powers does ensure, that the order is not changed at random, is applicable to everyone and not subject to abuse, which we had to endure for a long time: after the war economy of 1914–1918 and the ensuing hyper inflation, there were only few "normal" years, followed by the *Notverordnungen* (emergency orders) after the Great Depression of 1929, the total control of German society by the Nazis as of 1933, World War II, and the controls of the Allies from 1945 onwards.[14]

Germany has been and still is marked by a substantial corporate element. Throughout the Middle Ages and almost until the 20th century, the three estates were ruling the country: the nobility, the clergy and the bourgeois, rather castes than classes. They enjoyed territorial rights in their princely, church and city states, they had their own jurisdiction, they obeyed endogamy to some extent. The bourgeois were especially strong in the city states which, however, were mostly swallowed by the princely states at the beginning of the 19th century. The independent medieval cities were mainly centres of trade and of non-agricultural production. Accordingly, they were ruled by traders and 'craftsmen, and both had their own organisations, the guilds and the *Hanse*, to protect their privileges. Crafts were usually organised as local oligopolies: the number of *Meister* were regulated as well as the number of journeymen and apprentices. The guilds organised the training and saw to the quality of their products and services. Even after the industrial revolution, craftsmen and traders were third class citizens, and many of the emerging industrialists came from their ranks, very few from the nobility. It is not surprising that they organised themselves to fight for their rights. There was no German state until 1871; the trading and industrial community around Friedrich LIST was instrumental in uniting the country, whereas the nobility rather favoured the independence of their petty states. When the *Reich* finally was established, there were a number of private autonomous bodies enjoying prerogatives in economic matters, which otherwise would have come under direct state jurisdiction. Whereas the powers of the guilds had almost vanished during

[13]Der Fischer Weltalmanach 1992. col. 336.

[14]Cf. Hans JAEGER: Geschichte der Wirtschaftsordnung in Deutschland. Neue historische Bibliothek. Edition Suhrkamp 1529. Frankfurt: Suhrkamp. 1988.

the 19th century, they re-emerged again. They were also seen as natural allies against socialism by the *Kaiser*, the Nazis and – after World War II – by the then ruling Christian Democrats. ABELSHAUSER calls it the "beginning of a corporate market economy"[15] and writes [translation mine]: "the corporate frame of the German economy, arising in the *Kaiserreich*, fully developed in the Republic of *Weimar* and deformed autoritarily during the Nazi-regime, began to reemerg".[16]

The system of social security ensures against invalidity, illness, unemployment and old age. There are compulsory insurances, which include most of the population, mainly organised through para-statal organisations, complemented by private insurances and an extensive system of social welfare.[17]

Technical standardisation was easy to introduce where large "natural monopolies", like in telecommunication, were active; it helped to utilise economies of scale; it also became an effective tool of non-tariff import restrictions. Dirigisme and price controls have been found useful in some areas (pharmaceuticals).

Wages are negotiation between employers and trade unions, labour relations have been comparatively good and strikes are the exception. These are only few of the factors guaranteeing a smooth development.

THE IMPACT OF UNIFICATION

With the Unification (Oct. 3, 1990), the economy of the former German Democratic Republic (GDR) had to be integrated into this system. The differences between the two systems were immense. This not only applied to the central rule of the *Sozialistische Einheitspartei Deutschlands* (*SED*) (Socialist Unity Party), state ownership of almost all firms, regulated prices, wages and rents and interest rates, restricted movement of the people inside and especially outside the country, foreign exchange regulations, etc. It was also the division of labour within the COMECON system, the vertical concentration of industrial combinates, the wide range of products produced in a vain attempt to obtain some autarky not only against the West, but also against the COMECON partners, especially the Soviet Union. In a different way of subsidiarity, the combinates in the GDR had taken over many social obligations, which in West Germany rest with the families, private organisations or the local bodies.

[15] Werner ABELSHAUSER: Wirtschaftsgeschichte der Bundesrepublik Deutschland 1945–1980. Neue historische Bibliothek. Edition Suhrkamp. Neue Folge 1241. Frankfurt: Suhrkamp. 1983. p. 76.

[16] *Ibid.* p. 84.

[17] Cf. Volker HENTSCHEL: Geschichte der deutschen Sozialpolitik 1880-1980: Soziale Sicherung und kollektives Arbeitsrecht. Neue historishe Bibliothek. Edition Suhrkamp 1247. Frankfurt: Suhrkamp. 1983.

The unification came suddenly, unexpectedly, and met everybody unprepared. The political process has since been then very much *ad hoc*. Most economists feel, that 2:1 devaluation of the East German Mark was a mistake but, most probably, there was no alternative politically feasible. The general level of prices in East Germany in East Mark was much lower than that in West Germany in Deutschmark, with the major exception of "luxury" goods. After Unification, it was impossible to maintain a dual price system: Prices in the East rose fast to West German levels, wages have been moving into the same direction, rents exploded. With wages rising, East Germany has become economically less viable. The *Treuhand*, set up as the holding for the state enterprises in the former GDR, has become the largest corporation in the world. The objective is, to privatise the firms as fast as possible and to liquidate those, which are no longer viable. Most had to open their DM-balance in the red, because of the 2:1 devaluation rate. Sales slumped for most firms: they lost their former COMECON export market, after sales had to be paid in hard currency; they lost the domestic East German market, because the people there no longer wanted their once ordained own, less glamorous, products and turned to the more fancy Western brands; and those firms could not capture the international markets for lack of competitiveness.

Investment has been slower than the politicians had predicated: The procedure of privatisation takes time, laying off redundant labour is difficult ownership titles – especially of real estate – are often disputed; land, therefore cannot serve as collateral for bank loans. Chemical and related firms in the GDR did not bother about pollution; western firms are thus reluctant to take over such uncertain risks. Thus, most of the firms would qualify as "sick industries" in Pakistan, and the German government will have to look after these public enterprises for many years to come. There was, predictably and predicated, a boom immediately after Unification, but only in the so-called old (West) *Lander*. Since the West German economy already was working at almost full capacity, much of the increased demand spilled over to the international markets: The South Asian economies in particular benefited; for the first time, they enjoy an active balance of trade with Germany. Germany's overall balance of trade became negative. But since mid-1991, the boom has flattened. The major industrial houses had expected such a development and refrained from short-term engagements in the former GDR, which, therefore, neither participated much in the short boom, nor received much investment. The German government is trying to overcome the shyness of the investors with a variety of incentives in order to solve the acute problem of unemployment and political frustration.

ANY LESSONS TO BE LEARNED FOR PAKISTAN?

Except for manufacturing industries, banking and insurance, the division of labour between the state and the private sector shows some semblances in Germany and Pakistan. Ownership, management, and control surely were different in East and West Germany. Safeguarding production and supplying essential commodities are classical arguments for intervention. But states were never successful in taking over the agricultural production themselves; in cases of emergency, however, all industrial states have been involved through control of prices and distribution. The CAP of the EC has shown how expensive and inefficient such systems can become. The issue has been hotly debated in Europe since decades with little effect so far. The CAP has become one major point of disagreement in the current GATT round.

Services of physical infrastructure, e.g., energy and transport, are subject to high economies of scale; public and semi-public utilities are set-up as "natural monopolies" neither ruled by market forces nor efficiently controlled by the political bodies. Much of the controversial ecological/anti-nuclear discussion is an outcome of this set-up.

The supply of housing reacts to market signals very slowly. This is one of the lessons we learnt after most of the state housing programmes had been abolished. The sudden influx of immigrants has by no means been absorbed by the housing market.

The high level of professional training of the German work forces still is a major asset of the economy; qualification programmes are the most efficient tools to re-integrate unemployed and to integrate immigrants.

A recent lesson after Unification has been the importance of property rights. Investment and employment have been jeopardised wherever rights of immovable property are disputed. This also has been holding up the work of the *Treuhand.*

The reality of German economy is certainly not totally in accordance with the gospel of the a free market, neither with the principles of the social economic market order. This especially applies to agriculture: All European governments developed various kinds of protection for their agriculture; after founding the European Economic Community, agriculture became the pilot sector for integration; integration, then, in practice led to an almost absurd system of high floor prices, almost unlimited government procurement, import restrictions and export incentives. The results are hotly debated: price regulations benefitted the larger farmers and did not help the marginal and small farmers.

Most of our problems may be too far-fetched to present in Pakistán. With the ongoing debate on privatisation in Pakistan, however, Germany might serve as a case study, an economy, which many people in Pakistan, I found, believe to be a textbook market economy.

Comments on
"State Intervention versus Private Initiative: New Challenges for the German Social Market Economy. Any Implications for Pakistan?"

Zingel's paper provides two major contributions. First an interesting description of the level of government involvement in the German economy, and second, a brief account of some of the problems associated with the recent German reunification process. While the paper furnishes interesting reading, the link between government intervention in Germany and Pakistan is rather tenuous.

A more analytical approach may have been necessary to draw conclusions about the comparative role of government involvement in the two countries considered. Data from each country's national accounts could have been utilised to make comparisons between the level of government expenditures in each sector of the two economies. Instead, the paper was limited to a brief description of the German government's role in economic affairs, as well as a list of "organisational set ups" that Zingel considers crucial for Germany's economic success. I would have preferred to see a more analytical approach to the role of government intervention in the two countries.

In the opening paragraph, Zingel states that he is interested in the question of "whether economies of different backgrounds can be compared or not". While this question is interesting and important, little progress was made towards a definitive answer. Zingel states that he will, "...leave it to you [the reader] to draw conclusions, if any, for your country, Pakistan". Although the author presented some very interesting material on German institutions, my conclusion is identical to the author's: "Most of our [Germany's] problems may be too far fetched to present in Pakistan".

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