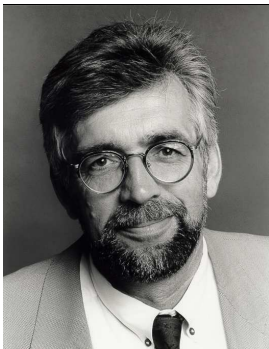


Editorial



Dr Kurt Hornschild,
Head of the Department of
Industry and Technology, asks:

'Structural change: is the
centipede model competitive?'

Different views currently prevail on the question of the strength of the German economy. Growth is sluggish, unemployment remains high, and the reforms implemented by the government have received a mixed response. This creates the impression that Germany is treading water.

Yet there are also positive signs. In its most recent comparative study of national competitiveness, the Swiss Institute for Management Development puts Germany in ninth place, compared with 14th position a year ago. The report considers that German firms are undergoing a positive, dynamic restructuring process; German politics is not keeping pace with the changes, however. The report on technological performance, drawn up annually by a group of renowned economic research institutes, among them the DIW, for the German research ministry, points in a similar direction. It identifies a renewed increase in innovative activity, a rise in the number of technologically oriented business start-ups, and a catching-up process in the area of biotechnology. Yet in spite of these positive trends, the report expresses doubts about whether the German innovation system is adequately prepared for the future. It compares the German system to a centipede, in which innovations occur reliably, systematically, and on many legs, but which is incapable of bringing about radical change. More significant deficiencies are identified in services, and particularly in the field of education.

During the second half of the 1990s, the conditions for innovation in sophisticated services have certainly improved significantly, with the deregulation and privatisation of telecommunications, the railways and the postal service. Moreover, progress has been made in developing regional centres of competence in the area of new technologies. Without doubt, much has been achieved in recent years. Yet while many commentators underestimate the adaptability of the 'centipede model', it is still too early to celebrate. Germany will only successfully take the path to the knowledge-based society provided there is no let-up in efforts to make provision for the future, and if competition assumes the function of steering instrument to a greater extent than at present. During the last five years, expenditure on investment, R&D, education and training has fallen continuously from 31% to 28.5% of GDP. Competition is still unheard of in many areas of the education sector. Students are allotted to the universities on a random basis for those subjects in which places are rationed (so-called numerous clausus subjects). Competition between the universities, demanded by many observers, cannot develop on such a basis; performance-description criteria drawn up by an administration cannot replace the market. It is only when the willingness to shape the future gains a clearer profile in the public sector, too – the universities are one example, the health service another – and it proves possible to prise open ossified structures will doubts about the reform capability of Germany's consensus model finally subside.