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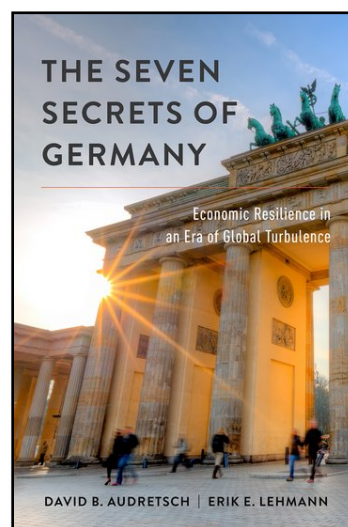
HOW DID GERMANY DO IT?

Economists reveal Germany's "Seven Secrets" for resurgence in the era of globalization, highlighting lessons for the U.S.

1 November, 2015
FOR IMMEDIATE RELEASE

OXFORD, UK – How did Germany, branded in the '90s as "the sick man of Europe," emerge as an economic powerhouse in the midst of an increasingly ailing Eurozone? In their new book, *The Seven Secrets of Germany* (Oxford University Press), economists David Audretsch of Indiana University and Erik Lehmann of the University of Augsburg demonstrate how Germany has balanced seemingly contradictory strategies to defy the economic odds.

"The conventional wisdom is that you can either have a high-wage knowledge economy or a low-wage manufacturing economy. You have to choose between local commitment and global orientation, and between an environment that fosters entrepreneurship and one in which the government plays a strong role," said Audretsch, Ameritech Chair of Economic Development and Director of the Institute for Development Strategies at Indiana University. "What Germany proves is that combining all of these elements can create a unique and superior strategy that enhances global competitiveness while playing to a country's particular strengths."



Describing how Germany rebounded from double-digit unemployment rates in the post-unification era to achieve the highest trade surplus in the world and the lowest unemployment rate in the European Union, the authors uncover seven characteristics or "secrets" of the contemporary Germany economy:

1. **Small is beautiful.** Germany's commitment to its small-to-midsize companies, or *Mittelstand*, promotes localized economic development while enabling firms to excel internationally within well-defined niche markets.
2. **Poets and thinkers.** Germany's dual education system of universities and skilled-labor apprenticeships produces competent, committed workers in manufacturing as well as knowledge-based fields.
3. **Roots and wings.** Pairing localized growth strategies with a newly open attitude toward foreign workers and markets enriches German states.
4. **(Infra)structure.** Ongoing government investment in transportation, communications, and city-level amenities creates the conditions for thriving businesses that attract and retain employees.

5. **Laptops and lederhosen.** Germany has proved remarkably flexible in making room for innovation without sacrificing local culture.
6. **Made in Germany.** Despite some of the highest worker wages in the world, Germany has emerged as a leading manufacturer by investing in translational research relevant to small-to-midsize companies and enhancing quality and productivity through worker-friendly policies.
7. **It's good to be German.** After a long period of atonement following the nightmare of the Third Reich, Germany has attained a new confidence in its ability to reinvent itself without forgetting its history.

Throughout the book, the authors compare Germany's trajectory to that of the United States. Highlighting Germany's attention to the supply side of its economy and willingness to find demand outside its borders in contrast to the U.S. emphasis on internal stimulus, the book also emphasizes how Germany has learned from U.S. successes in the technology and higher education sectors.



Erik Lehmann and David Audretsch

Audretsch and Lehmann conclude that while Germany's distinctive strategies should not be taken as a blueprint for growth in the U.S. or elsewhere, they can be used to inform analogous approaches to capitalizing on country-specific strengths.

"No country should resign itself to economic stagnation," said Lehmann, who directs the University of Augsburg's Global Business Management Master Program. "If Germany has taught us anything, it's that economic resilience is possible in the Age of Globalization."

To speak with the authors or obtain a media review copy, contact Jim Hanchett, Indiana University School of Public and Environmental Affairs, 812-856-5490 or jimhanch@indiana.edu.

Advance praise for *The Seven Secrets of Germany*

From **Richard Baldwin**, Professor of International Economics at the Graduate Institute, Geneva and Director of the Center for Economic and Policy Research:

"Just when so many are asking, 'How did Germany do it?' a new book appears with

some answers. In an enormously well-informed, erudite, and accessible manner, the authors point to seven features that help Germany thrive in the face of globalization, demographic challenges, the Eurozone crisis, and much more. The seven 'secrets,' or features – which range from the small-is-beautiful Mittelstand to the growing comfort zone that Germans feel about being German citizens of the EU – allow Germany to foster the central drivers of economic prosperity: innovation, labor skills, and entrepreneurship. Social cohesion is critical in allowing the formal and informal institutions to work together-to make the whole more than the sum of the parts. The Seven Secrets of Germany is bound to provoke discussion and disagreement, but it really is a must-read for those who want to understand this nation's remarkable resilience and economic success."

From **Stephen F. Szabo**, Executive Director, Transatlantic Academy and Professor, Johns Hopkins University School for Advanced International Studies:

"Audretsch and Lehmann have written a page turner of a book that explains how Germany has become the most successful globalized economy in the world. They combine a dazzling mastery of economic theory with real life experiences and lessons for other western countries that are struggling to compete in a global economy. This is by far the best explanation available on the secrets of Germany's revival from being the Sick Man of Europe to Weltmeister in just a decade. It is also an essential introduction to today's Germany that seamlessly weaves together history, culture, economics and politics."

From **J.-Matthias Graf von der Schulenburg**, Professor of Business Economics and Director of the Institute for Risk and Insurance Management, Leibniz University, Hanover, Germany:

"The Seven Secrets of Germany is the second book published recently on Germany that has intrigued me. The first one is Neil MacGregor's Germany: Memories of a Nation, which shows why Germany was special in the past. The Seven Secrets of Germany presents brilliant analysis on Germany's unique economy and economic policy, which has produced a second Wirtschaftswunder for the country today. It is compulsory reading for anyone interested in economics."

About the authors:

David Audretsch is a Distinguished Professor and Ameritech Chair of Economic Development at Indiana University, where he also serves as Director of the Institute for Development Strategies. He is also an Honorary Professor of Industrial Economics and Entrepreneurship at the WHU-Otto Beisheim School of Management in Germany and a Research Fellow of the Centre for Economic Policy Research in London. Audretsch's research is focused on the links between entrepreneurship, government policy, innovation, economic development and global competitiveness. He is co-founder and co-editor of *Small Business Economics: An Entrepreneurship Journal*. He is an advisory board member for numerous international research and

policy institutes, including Chair of the Deutsches Institut fuer Wirtschaftsforschung Berlin (German Institute for Economic Analysis Berlin), Chair of the Stifterverband fuer die Deutsche Wissenschaft (Foundation for the Promotion of German Science), and board member of the New York Academy of Sciences, the Swedish Entrepreneurship Forum, and the Jackstädt Centre for Entrepreneurship in Wuppertal, Germany.

Erik E. Lehmann is a Full Professor of Management and Organization at Augsburg University, Director of the Master Program in Global Business Management and Dean of Student Affairs. He received his doctoral degree from Rostock University and his habilitation (*venia legendi*) from Konstanz University. From 2004-2005 he joined the Max Planck Institute (Jena) as an assistant director. Together with Silvio Vismara (University of Bergamo/Italy), he directs the CISalpino Institute for Comparative Studies in Europe (CCSE). Lehmann's research is focused on the links between corporate governance in family and entrepreneurial firms, innovation, public policy, education and innovation systems, financial constraints and regional and global competition.