FREEDOM BAROMETER

Germany 2016

Total: 80.24

Quick facts

Population:	82.176 million
Unemployement rate:	4.6 %
GDP:	3 153 276,730 billion EMU
GDP growth rate:	1.5 %
GDP per capita:	38 370 EMU

Rule of Law

Independence of the Judiciary : 7.59

Judiciary in Germany is truly an independent third branch of power. There are just few countries in the world where the Constitutional Court plays such a huge role in limiting (thus to a degree also shaping) political decisions by the Parliament or Government. German relations to the EU, various issues of monetary politics, application of modern technology and a plethora of human rights` issues (most notably protection of privacy and personal data) are among those dealt with by this body. Rulings sometimes considerably hinder the government`s plans. At the federal states` or local level, judicial intervention into government`s almost natural tendency towards omnipotence is not that brilliant or spectacular, even though citizens enjoy high level of protection over there as well.

Corruption : 8.1

Due to the persistent, decades-long development of the “social market economy”, with little or no escapades into the excessively interventionist policies, nor into hasty deregulation, Germany has considerably narrowed the ground for corruption. The second pillar of anti-corruption immunity is in developed institutions and rule of law as a part of national identity. Finally, civil society is strong, sensitive to any early sign of misuse of power and ready to react. Yet there are fields of public life that still need more scrutiny, such as the biggest infrastructure projects and, generally, the activities of the biggest companies. Scandals, including those during the construction of the Airport Berlin Brandenburg (and adjacent death of a whistle blower), as well as multi-billion eco-fraud by a

huge car manufacturer, proved that public procurement, lobbying and a few other fields needed more public attention and smarter regulation. In the Transparency International`s Corruption Perception Index 2015, Germany was very highly ranked – sharing place 10 (of 168 countries) with Luxembourg and United Kingdom. The score 81 says it is more than four-fifths corruption-clean.

Protection of Human Rights : 8.61

Human rights in Germany are protected according to the highest international and EU standards. Those “old” ones such as life, security, safety, property, movement, education, information, association, etc, are entrenched in society and political culture. They enjoy multiple protection against breaches (from early non-authoritarian upbringing, democratic education of the young and subsequent “Stiftung” network that facilitates democratic and civic education of adults, to constitutional, legal, judicial, political, media or other protection). Newly emerging challenges to individual human rights and freedom (such as dilemmas regarding security vs. privacy) are promptly dealt with by academics, media, legislators and courts. In some areas Germany has recently emerged as a “conscience of the EU”, such as in its treatment of refugees. Not least that it opened the gates for the victims of wars or dictatorships, but it has put considerable efforts and resources into integration. However, there is also opposition to such openness. There were attacks on asylum seekers in several towns, and there is also (however in “Aesopian language”) hate speech against them. Another modern-day challenge – the equality and integration of the LGBT people into society – is dealt in Germany via “middle-of-the-road” solutions: same-sex partnerships are guaranteed many rights of the married couples, while marriage as such is still reserved for mixed-sex couples. The latter have some privileges (such as in adoption) that LGBT unions do not. The focus of attention by human rights` advocates, in case of Germany and of some other most advanced EU countries, shifts towards consistent international practicing of principles that are professed back home. Thus, Germany is sometimes criticized for selling arms to the regimes that systematically breach human rights, such as to Saudi Arabia. Similar scrutiny is dedicated to activities of German companies or banks abroad.

Political Freedom

Free and Fair Elections : 9.64

Political parties in Germany can operate freely. Elections are conducted in a free and fair manner. An exception to this does exist and it refers to ability of the authorities to restrict political parties if they pose threat to the constitution. Migration crisis has a high influence in shaping everyday politics. On one hand it brought instability to the Grand Coalition between Christian Democratic Union (CDU) and Social Democratic Party (SPD), while on the other hand a huge rise of a nationalistic, right wing, Alternative for Germany (AfD), which is out of the current parliament. Germany has bicameral parliament which consist of the lower house – Bundestag, and the upper house – Bundesrat, which represents country’s 16 federal states. Each federal state has significant authorities over some of the important areas, such as education. During the 2015, state elections in Bremen and Hamburg took place and they were free and fair.

Absence of Unconstitutional Veto Players : 10

There are no unconstitutional veto players in Germany. Government holds effective control over its territory. Due to migration crisis, violence and right-wing extremism increased throughout the observed period. Also, it was noted that number of anti-Semitic acts was in raise. Civilian authorities maintain effective control over security forces, while corruption in Germany is very rare.

Freedom of Press : 8

Press in Germany is free. It expresses wide variety of views. Country declined by 4 places in the Reporters without Borders 2016 World Press Freedom Index and now holds 16th position out of 180 countries. Prosecution of two journalists in July 2015, on the base of committing treason by publishing classified information, was perceived as a threat to media freedom and was often criticized. In August, Office of the Federal Prosecutor closed the case, stating that announced documents were not state secrets. Acts of violence and intimidation towards journalists rose together with tensions in society. Ones who cover stories on radical movements such as neo-Nazis are often targets of those groups.

Economic Freedom

Security of Property Rights : 7.34

Property rights are well protected in Germany. Judiciary is an efficient and functioning system, independent from out-of-court influence and of executive power. Court dealings are both predictable and reliable. Germany has specialized courts in different legal areas. Bankruptcy regulation provides legal environment that enables very high recovery rates, within a reasonable timeframe. However, property registration, a major prerequisite for protection of property, requires a complicated and lengthy procedure, incurring high cost due to notary fees and very high transfer tax. Property transfer can also be hurdled by preemptive rights of local municipalities. Obligatory public notary services, although inflating costs, increase security of the dealings. Police force is reliable, making business costs of crime very low. Out-of-court mechanisms, such as mediation or arbitration, exist and are commonly used. Court procedures could be upgraded via more automation in the process.

Size of Government: Expenditures, Taxes, and Enterprises : 5.14

Government expenditure in Germany is stable, standing at 44.5% of GDP in 2015, nearing the European average. Unlike most European countries, Germany has been recording low budget surpluses since 2012. Public debt is still higher than the envisaged Maastricht criteria, standing at 71% of GDP at the end of 2015, but is falling steadily, due to economic growth as well as frugal fiscal policy. Unemployment is under 5%, almost half the level of Euro-zone, and growth, although

modest, is sustainable, being based on increased domestic demand instead of weakened demand for exports. German government, apart from its regulatory role, is not active in the economy. State-owned enterprises (SOE) are restricted mostly to public utilities and transportation, but the government also has minority stakes in other companies, some of which operate in competitive markets. However, the SOEs comply to the same rules as the private companies, but the German government`s rail company, Deutsches Bahn, has been several times under investigation by the European Commission or by the Federal Cartel Office for possible market power abuse. Overall, high tax rates are necessary to sustain the overall high tax consumption. Corporate income tax is 15%, while VAT is set at 19%, with the reduced rate of 7%. Income tax is progressive, with rates from 14% to 45%. There is also a ''solidarity tax'' of 5,5%. Coupled with high social contributions, this leads to the overall high labour tax wedge - only Belgium and Hungary among the OECD countries have higher tax wedge than Germany.

Regulation of Credit, Labour, and Business : 7.02

Regulation in Germany is overall business friendly. Starting a new business is not burdensome, nor expensive, but requires unnecessary procedures, while the minimum paid-in capital is very high. Recently, more notary involvement and possibility of electronic filing made this procedure less costly and more efficient. On the other hand, getting electricity is very efficient, and inexpensive, the same as obtaining a construction permit. Corruption or favoritism of government officials in Germany is very rare. All regulations are generally upheld. Although there is rather small number of annual payments, taxation regulation proves to be very complex and burdensome for businesses. Labour regulations pose another area in which there are serious constraints on private entities. Hours` regulation is flexible, but other areas are not: maximum length of fixed contracts is limited to only 24 months while redundancy regulations are very stringent. Notice periods for redundancy staff and their severance pay increase with their tenure, leading to a higher protection of more seasoned workers. The role of trade unions and especially of the workers` councils is very prominent in those procedures. Social dialogue is very developed in Germany, with strong industry-specific collective bargaining. Germany has introduced in 2015 for the first time a new general minimum wage, abandoning prior industry-specific minimum wages determined through collective bargaining. Service sector is burdened with many licensing procedures that create effective barriers to entry, limiting competition and increasing prices for the customers.

Freedom to Trade Internationally : 8.8

Freedom of trade is generally respected in Germany. As one of the founding members of the European Union, Germany implements the common European trade policy with low tariff rates, which remain significant only for some agricultural products. However, non-tariff barriers remain, in the shape of different standards and certifications. Customs administration is very efficient, keeping cost of border and document compliance low. Good public transportation infrastructure successfully lowers freight costs, allowing for higher volume of trade. However, railway transportation is still under dominant influence of SOEs. Thereby, competition is low. International trade is very important for the German economy, whose strong exports, led by manufacturing goods, account for the high current account surplus of 8,5% of GDP. Main trade partners of Germany are other European countries, such as France, Belgium, the UK and the Netherlands. After the UK referendum on leaving the EU, future political and economical, and especially trade arrangements between these two entities will have a profound influence on German trade. The prolonged trade sanctions implemented by the Russian Federation on goods from the EU did not severely affect the German economy, since agricultural products, which were mainly affected by

the trade ban, comprised only an insignificant amount of German exports.