

Contents

1	Introduction	1
1.1	Financialisation in Germany?	1
1.2	The Historical Development of the German Financial System	2
1.3	The Growth of Finance and Its Role Since the 1980s—A Quantitative Overview	3
1.4	The Institutional Structure of the German Financial System	4
1.5	Germany's Integration into International and European Financial Markets	4
1.6	Regulation of the German Financial System	5
1.7	The Nature and Degree of Competition	6
1.8	Profitability of the Financial Sector and Sub-sectors	6
1.9	Efficiency of the Financial Sector	7
1.10	Sources of Funds for Business Investments: Non-financial Corporate Sector and Small and Medium-Sized Enterprises (SMEs)	7
1.11	The Involvement of the Financial Sector in the Restructuring of the Economy	8
1.12	Privatisation and Nationalisation Policies and the Financial Sector	9
1.13	The Financial Sector and Private Households	9
1.14	The Real Estate Sector and Its Relation to the Financial Sector	10
1.15	Financialisation and Income Distribution	11
1.16	Crisis and Macroeconomic Policies	11
1.17	Final Conclusions	12
	References	13

Part I Development and Structure of the German Financial System

2	The Historical Development of the German Financial System	17
2.1	Introduction	17
2.2	German Industrialisation	18
2.3	The Inter-war Period	21
2.4	The Post-war Period in West Germany	23
2.5	Conclusion	26
	References	27
3	The Growth of Finance and Its Role Since the 1980s—A Quantitative Overview	29
3.1	Introduction	29
3.2	Financial Assets in the German Economy	30
3.3	Size and Activity of Banking and Financial Markets in Germany in International Comparison	34
3.4	Increased Financial Activity in the German Financial and Non-financial Corporate Business	42
3.5	The Rise of Institutional Investors	50
3.6	Conclusion	52
	References	53
	Data Sources	53
4	The Institutional Structure of the German Financial System	55
4.1	Introduction	55
4.2	Banks	56
4.2.1	Private Banks	56
4.2.2	Savings Banks	62
4.2.3	Cooperative Banks	64
4.2.4	Specialised Banks	65
4.3	Securities Markets	65
4.4	Shadow Banks	67
4.5	Conclusion	69
	References	70
	Data Sources	70
5	Germany's Integration into International and European Financial Markets	71
5.1	Introduction	71
5.2	International Payment Flows	72
5.3	International Investment Position and Bank Lending	76
5.4	Financial Integration in Europe	80
5.5	Conclusion	88
	References	89
	Data Sources	89

6	Regulation of the German Financial System	91
6.1	Introduction	91
6.2	Supervisory Institutions in Germany	92
6.3	The Development of the German System of Financial Regulation Until 2007	96
6.3.1	The Regulatory Framework After the Second World War	96
6.3.2	Adaptions of the Regulatory Framework Due to Banking Crises	97
6.3.3	Facilitators of Changes from the 1980s on	98
6.3.4	The Effects of the Financial Crisis After 2007	105
6.4	Conclusion	106
	References	107

Part II Competition, Profitability and Efficiency

7	The Nature and Degree of Competition	113
7.1	Introduction	113
7.2	Concentration on the National Level and International Comparison	114
7.3	Retail Banking and Regional Markets	117
7.4	Interest Rate Spreads in Germany and in International Comparison	118
7.5	Competition in Investment Banking	120
7.6	Conclusion	123
	References	124
	Data Sources	124
8	Profitability of the Financial Sector and Sub-sectors	125
8.1	Introduction	125
8.2	Profitability of the German Banking Sector in International Comparison	126
8.3	Internal Comparison of the Profitability of the German Banking Sector	129
8.4	Comparison of the Profitability of the Financial Corporate Sector with the Non-financial Corporate Sector	136
8.5	Conclusion	138
	References	139
	Data Sources	139
9	Efficiency of the Financial Sector	141
9.1	Introduction	141
9.2	Approaches Towards Efficiency	142
9.3	Efficiency of the German Banking Sector in International Comparison	143

9.4	Efficiency of Different Segments of the German Banking Sector.	146
9.5	The Effect of Mergers on the Efficiency of the Banking Sector.	149
9.6	Conclusion.	149
	References	151
	Data Sources	152

Part III Finance and the Non-financial Sector

10	Sources of Funds for Business Investments: Non-financial Corporate Sector and Small and Medium-sized Enterprises (SMEs).	155
10.1	Introduction	155
10.2	Sectoral Composition, Profit Shares and Real Investment	157
10.3	Sources and Uses of Profits of Non-financial Corporations	160
10.4	Real Investment Finance of Non-financial Corporations.	162
10.5	Real Investment Finance of Small and Medium-sized Enterprises (SMEs)	165
10.6	Conclusion.	170
	References	171
	Data Sources	172
11	The Involvement of the Financial Sector in the Restructuring of the Economy.	175
11.1	Introduction	175
11.2	Changes in German Corporate Governance since the 1990s	176
11.3	Conclusion.	185
	References	186
	Data Sources	187
12	Privatisation and Nationalisation Policies and the Financial Sector.	189
12.1	Introduction	189
12.2	Privatisation Before the Financial Crisis in 2007/2008.	190
12.3	Financial Institutions and the Government During the Financial Crisis	198
12.4	Conclusion.	206
	References	207
	Data Sources	208
13	The Financial Sector and Private Households	209
13.1	Introduction	209
13.2	The Development of Income Distribution and the Components of Private Household Sector Income.	210
13.3	Consumption and Saving of Private Households	210

13.4	Household Wealth and Indebtedness	215
13.5	Conclusion	221
	Appendix	222
	References	224
	Data Sources	225
14	The Real Estate Sector and Its Relation to the Financial Sector.	227
14.1	Introduction	227
14.2	Historical Background and Institutional Framework.	228
14.3	Size and Composition of the German Real Estate Stock	234
14.4	Relevance of the Real Estate Sector for German Economic Activity	235
14.5	Investment in Real Estate.	238
14.6	Real Estate Prices and Rents	241
14.7	The Relation of the Real Estate Sector with the Financial Sector.	243
14.8	Institutional Investors in the Real Estate Sector	248
14.9	Conclusion	251
	References	252
	Data Sources	253
Part IV Finance, Distribution and Crisis		
15	Financialisation and Income Distribution	257
15.1	Introduction	257
15.2	Trends of Re-distribution Since the Early 1980s	258
15.3	The Effect of Financialisation on Distribution	262
15.4	Conclusion	270
	References	271
	Data Sources	273
16	Crisis and Macroeconomic Policies	275
16.1	Introduction	275
16.2	The German Macroeconomic Policy Regime in the Era of Finance-Dominated Capitalism	276
16.3	The Transmission of the Crisis to Germany.	281
16.4	The Bailout of the Financial Sector	284
16.5	Macroeconomic Policies and Recovery from the Crisis	286
16.6	Conclusions	292
	References	293
	Data Sources	295
17	Final Conclusions	297
17.1	Introduction	297
17.2	The Global Tendency Towards Financialisation.	298

17.3	Main Characteristics of the German Financial System	301
17.4	Developments Before and After the Great Financial Crisis and the Great Recession.	304
17.5	Summing up.	306
Index	307

The German Financial System and the Financial and
Economic Crisis

Detzer, D.; Dodig, N.; Evans, T.; Hein, E.; Herr, H.;
Prante, F.J.

2017, XXV, 313 p. 112 illus., 107 illus. in color.,

Hardcover

ISBN: 978-3-319-56798-3