

For arbitrating contract negotiations (which is contingent upon the request of the parties concerned) many of the same people who sit on the labor courts are appointed to arbitration boards.

In addition to the labor courts, there are conciliation offices in each state which can be used by negotiators. They are of little practical importance, though, because there are few of them and almost every case they handle is eventually referred to arbitration.

The law on extension of contracts (as outlined above) makes it possible for a minority of employers to negotiate for all employers and also enhances the importance of employers' associations. Since it does not require unions to have a membership of over 50 percent of the workers, it becomes to the unions' interest to have a strong employers' association.

The works councils were first established after World War I and are presently governed by the Works Constitution Act of 1952, which requires a council in all plants employing more than 20 persons. The works councils negotiate supplements to master agreements and handle grievances, generally performing the functions of an American local union.

The Codetermination Law of 1951 gave a legal base to a relationship which had sprung up in the steel industry immediately after the war and extended the relationship to mining. It gave labor representatives (chosen by the works councils and the unions) equal representation with representatives of stockholders on the boards of supervision. The results of this innovation have apparently not been so striking as the unions hoped and the employers feared: labor managers have usually taken a point of view close to that of the other managers.

Many conditions, such as terms of dismissal, holiday pay, payment of educational grants to apprentices, etc., are also set by law.

Government wage policy

Government policy since the war has generally favored slow wage increases (or none at all). The facts that the employers' associations have had greater power than the unions and that they are especially anxious to hold the line on wages have apparently made the most effective Government policy one of nonintervention.

Price control

When the Allies took over Germany, the Preisstop of 1936 was still ostensibly in effect, though the money economy had virtually broken down. This condition continued up to the currency reform of June 1948, when as many of the direct controls as possible were scrapped, including most of the price controls.

Monopoly regulation

In 1947 the occupying authorities all instituted strong decartelization laws designed to combat price fixing, market control arrangements, and similar restrictive practices. Separate laws breaking up I. G. Farben and firms in the coal and steel industries were also instituted. As an independent nation, Germany has undergone a long battle over monopoly legislation which finally ended in a law effective at the beginning of 1958. The new law is based on the principle of abuse of economic power and sets up a cartel authority with powers to act against such abuses. It exempts cartels formed to counteract a structural crisis resulting from a permanent shift in demand, rationalization agreements, etc., and those found to be necessary in the light of the economic situation and the public interest (presumably in a depression). The vigor of enforcement and the nature of court interpretation of the law are yet to be seen.

Profits taxes and dividend limitations

In the early days of recovery, many special tax reliefs and depreciation allowances were used to provide a high level of investment at a time when the capital market was nonexistent and personal savings were nil. Throughout the postwar period the tax structure has strongly favored investment over consumption. Tax policy has been important in stimulating investment, especially a wide variety of accelerated depreciation schemes (though in 1958 it was decided that reliance on internal financing was excessive and some of the depreciation rates were retarded). A liberal dividend policy is encouraged (so as to stimulate external financing) by taxing distributed profits at 15 percent and undistributed profits at 30 percent. This has led, in recent months, to the development of an active capital market, the lack of which has long been a problem.