The German Financial System

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The German financial system is a model worth emulating in various aspects, especially its stability and developmental orientation. Between 1960 and 2000, the German economy emerged as the strongest in Europe and its financial system acquired an outstanding reputation for stability. The strength of the Deutschmark was often said to be the result of certain institutional features of the German financial system, in particular the independence of its central bank, the Bundes bank. This is not the whole story, as explained later. A more fundamental explanation takes us back to Germany’s economic an 22The German financial system has for a long time been bank-dominated. Banks were the main actors in the financial sector, providing the lion’s share of external financing of firms and attracting a considerable part of the financial savings generated by households. 23Since the beginning of the 20th century, the big private universal banks [12] also played an important role in the governance of large corporations. The German financial system as a single federal institution was formed in the XIX century. - in the era of Chancellor O. Bismarck, ie. much later than in France, Italy, Great Britain. O. Bismarck united the scattered German semi-feudal principalities into a powerful European state with unified state banks, a stable and rational monetary system and other financial institutions. The basis of the German financial system is banks; banking sector in the country, as well as in many other countries, two-level.Â In general, the German banking system consists of more than 3000 independent banks with more than 60 thousand branches (at the beginning of 2012).