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Article

"Berlin needs to zap into its research potential to improve economic performance": Nine questions to Martin Gornig

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Prof. Dr. Martin Gornig,
Deputy Head of the Department
of Firms and Markets at DIW Berlin

NINE QUESTIONS TO MARTIN GORNIG

»Berlin needs to tap into its research potential to improve economic performance«

1. Mr. Gornig, there appear to be some contradictions in Berlin's economic situation. On the one hand, Berlin is a boomtown characterized by a flourishing tourism industry and ever-increasing real estate prices; on the other hand, unemployment is high and wages are low. What's actually going on here? Both impressions are correct. Berlin is experiencing massive growth at high rates, but the city is still recovering from a prolonged downswing. Accordingly, economic performance is low and unemployment is still above the national average.
2. In which sectors is the labor market thriving, and in which is it having more difficulty? There is definitely a lot of variation here. We do have relatively dynamic development in some areas—such as tourism—where even lower-skilled workers can find employment; on average, however, high-skilled workers are the ones finding jobs in Berlin, while lower-skilled workers are running into difficulties.
3. Why are wages in Berlin so low? The city's history plays a role: after reunification, Berlin continued to exhibit relatively low wage levels. Another is that as dynamic as the city is, it still lacks the kinds of large companies that tend to pay above-average wages. The presence of such businesses would raise the region's overall income levels, but they're thin on the ground in Berlin—at least for now.
4. Berlin has become known as breeding ground for startups. Is this really the case? You could say so, but the situation varies depending on the sector. In some areas, Berlin is at the forefront—at the global level, as well—but in others, such as business-to-business transactions, this is not the case. Nevertheless, the IT industry is thriving and Berlin remains one of Europe's leading business incubators.
5. What can Berlin do to nurture these startups—these delicate saplings, so to speak? First of all, the garden is actually in good shape: the soil for new business is fertile, and the city does quite a lot to help the seeds to take root. What we need is for the seeds to do more than simply sprout: the plants must also experience rapid growth. In essence, Berlin needs fast-growing companies to increase the city's overall performance capacity.
6. Berlin doesn't have the most stellar reputation when it comes to public investment in projects—like the BER airport or the renovation of the Staatsoper. What's the overall investment situation? There is simply not enough investment. When we do invest, we're actually almost always focusing on the right areas—but we're just doing it all wrong. For example, the need for an airport is indisputable, yet the way it's been playing out is an absolute disaster. This has been the case for other projects as well.
7. How can Berlin create a more sustainable prosperity? Above all, public investment needs to be increased, stabilized, and better planned and organized than before. A more efficient organization of investment—so that we are investing not only in the right areas, but also in the right ways—is critical for Berlin's future.
8. How does Berlin compare to the other city-states? When it comes to investment activity, Berlin does not stack up particularly well, and even the level of investment is well below those of the other city-states. At the same time, there's clearly a lot of momentum in Berlin, and the existence of the special assets is an indication that the city has the intention to invest.
9. In which areas does Berlin have the most potential? Berlin's greatest potential lies in the broad scope of its training and research. This is the raw potential in which everything else is rooted, as it facilitates the growth of knowledge-intensive services and research-intensive industries from various sectors. These in turn form the basis for Berlin's future success.

Interview by Erich Wittenberg



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