



## Annual Report 2006



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The Anglo-German Foundation contributes to the policy process in Britain and Germany by funding comparative research on economic, environmental and social issues and by organising and supporting conferences, seminars, lectures and publications which encourage the exchange of knowledge, ideas and best practice, both between the two countries and between researchers and practitioners.

In March 2006 our Board of Trustees awarded grants totalling over £2.5 million to the four research programmes that together make up the Anglo-German Foundation research initiative **creating sustainable growth in europe (csge)**.

**The four programmes and their coordinators are:**



Explaining Productivity and Growth in Europe, America and Asia  
Professor  
Tobias Kretschmer



Resource Productivity, Environmental Tax Reform and Sustainable Growth in Europe  
Professor Paul Ekins



The Economics and Politics of Employment, Migration and Social Justice  
Professor  
Christian Dustmann



Sustainable Welfare and Sustainable Growth: towards a new social settlement in Germany and the United Kingdom?  
Professor Jochen Clasen

**This is the biggest single project in the Foundation's history**, and we are delighted that it attracted such an enthusiastic response from the research community. This response has enabled us to create, through the agency of our programme coordinators, four outstanding programmes of innovative research, to be carried out by international teams of researchers based at leading institutions not only in Germany and the UK but also across Europe and in the USA. An Academic Advisory Board will guide the Foundation as the new initiative evolves and ensure that the research we fund is of the highest quality.

**These programmes address the core challenges** that Europe must grapple with over the next 25 years: increasing innovation, productivity and growth; protecting our environment and husbanding our resources; and preserving welfare, employment and social justice. These challenges are already known. What is original, perhaps unique, about this initiative is its recognition that the challenges are interconnected and that, in order to meet them, experience, ideas and intellectual and political capital must be pooled across national boundaries.

**In November and December 2007 we will be holding three events** at which the aims and first findings of **creating sustainable growth in europe** will be shared with a wider audience from the research and policy communities in Germany and the UK and beyond. These events will serve as a foretaste of the larger programme we are preparing to disseminate and debate the analysis and policy lessons of the research initiative in autumn 2009.

**csge**  
creating  
sustainable growth  
in europe

**Midpoint Events 2007**

**Berlin**

**29 November: Debate at the German Foreign Ministry**

A senior policy expert will lead discussion on the ways in which the aims of **creating sustainable growth in europe** relate to German (and European) policy priorities.

**30 November: Research Conference**

The research teams will discuss their interim findings with members of the wider research and policy community.

**London**

**5 December: Seminar at the Foreign & Commonwealth Office**

The UK policy community is invited to a major policy speech by a senior UK government representative.

You can register to receive invitations to all these events, and information on research findings as they emerge, on our website.

**Part of the rationale for these midpoint events** is to engage the interest and expertise of the policy community in both countries and beyond well in advance of the formulation of conclusions and the publication of final reports. We want the development of the research programmes to be interactive, allowing the ultimate audiences – policy-makers and those who advise and influence them – to help to direct and shape them while work is still in progress and our researchers can take account of changing political circumstances and new thinking and analysis.

**This process of interactive dialogue** with the policy community was given a kick-start at a closed seminar hosted by the UK Foreign Office in November 2006. This meeting gave our programme coordinators the opportunity to present the aims and direction of their research to a group of high-ranking UK government policy directors and analysts.

**'Fit for the Future', our new public lecture and debate series, shares the same aim:** to extend policy discussion and thinking about the challenges facing Europe during the next quarter century. The series features such distinguished figures from the world of policy and research as Axel Börsch-Supan, Benjamin Friedmann, Volker Hauff, John Hills, Richard Layard, Jonathon Porritt and Klaus Zimmermann (More details can be found on pages 4 – 5, 'Research Events', and on the AGF website pages previewing forthcoming events.) 'Fit for the Future' is designed to complement **creating sustainable growth in europe** by focusing on the same core themes and drawing the larger research and policy community into the constructive critical networks developing around the four research programmes.

**Key elements of these networks** are the overall Academic Advisory Board, chaired by Professor Sir Tony Atkinson, and the steering committees, made up of eminent representatives from government, business and academia, that advise each programme. The members of these bodies are listed on our website pages for the initiative and on the linked individual websites each programme has now created.

**We take this opportunity to thank these advisors** for their invaluable and generously given time, energy and wisdom. The same applies, more than ever, to our trustees, who, in addition to their usual tasks, increasingly find themselves asked to lead events in both countries. The frequency of these events continues to grow as the new programmes press ahead with their work. Our dedicated staff therefore have to work ever harder, for which we take this opportunity to thank them too.

**As a result**, we look forward to speaking directly to the ever-growing number of readers of this report during the next three years.

Bryan Rigby  
Chairman

Dr Ray Cunningham  
Director

Our conferences, seminars and workshops enable policy-makers and advisers, practitioners, journalists and academics to discover how the UK and Germany tackle difficult contemporary issues and to identify potentially transferable policies and practice. A high standard of informed debate and discussion is guaranteed, plus stimulating contributions from invited speakers.

Most of our events mark the publication of a major policy report outlining the results of original bilateral research commissioned by the Foundation. Co-authored by specialists from Germany and the UK, these reports contain important findings for policy-makers and professionals in the two countries.

## January 2006

### Work-life Balance and Productivity – Trade Off or Complementarity?

Public debate at the Centre for Economic Performance, LSE with John Dowdy, McKinsey and Co; Sarah Jackson, Working Families; Julie Mellor, PricewaterhouseCoopers; and John Van Reenen, Centre for Economic Performance, LSE  
10 January 2006

### New Directions for Labour Market Policy

Lecture and discussion at the Foundation's Berlin office with Dennis J. Snower, Institut für Weltwirtschaft, Kiel  
17 January 2006

### The Impact of Family Structure during Childhood on Later-Life Attainment

Report launch at HM Treasury, London with Marco Francesconi, Department of Economics, University of Essex; and Stephen P. Jenkins and Thomas Siedler, Institute for Economic & Social Research, University of Essex  
23 January 2006

### European Energy Supply Security Options for Natural Gas – Russian Pipelines vs. Overseas Liquefied Natural Gas?

Berlin Lunchtime Meeting at DIW Berlin with Christian von Hirschhausen, Technische Universität Dresden  
25 January 2006

### Public Expenditure and Regulatory Reforms

Seminar at the Foundation's London Office with Nico A. Siegel, University of Kent, and Sven Jochem, Universität Konstanz  
27 January 2006

## March 2006

### The Economic Impact of Oil Supply Shocks on the G7 Countries

Berlin Lunchtime Meeting at DIW Berlin with Lutz Kilian, University of Michigan and Centre for Economic Policy Research, London  
1 March 2006

### Launch of the European Economic Advisory Group Report on the European Economy 2006

Presentation at the Foundation's London office with John Kay, St John's College, Oxford; Gilles Saint-Paul, Université Sciences Sociales Toulouse; Giancarlo Corsetti, European University Institute, Florence  
8 March 2006

### The Economic Impact of Bird Flu

Berlin Lunchtime Meeting at DIW Berlin with Boris Augurzky, Rheinisch-Westfälisches Institut für Wirtschaftsforschung Essen  
30 March 2006

## April 2006

### Mindestlohn und Kombilohn – Die Bekämpfung von Unfug mit Unfug

Berlin Lunchtime Meeting at DIW Berlin with Hilmar Schneider, Forschungsinstitut zur Zukunft der Arbeit (IZA), Bonn  
27 April 2006

## May 2006

### Work-life Balance and Productivity – Trade Off or Complementarity?

Report launch and public debate at the British Embassy Berlin with John Van Reenen and Tobias Kretschmer, Centre for Economic Performance, LSE  
17 May 2006

### Transnationalisation of Stem Research: Scientific, Economic and Policy Strategies in the UK and Germany

International conference at the Berlin-Brandenburgische Akademie der Wissenschaften, Berlin  
Convenor: Rüdiger Wink, Ruhr-Universität Bochum  
18 May 2006

### Germany after the 2005 Federal Election: Internal and External Perspectives

32nd annual conference of the Association for the Study of German Politics at the Foundation's London office  
Convenors: Charlie Jeffery, University of Edinburgh, Charlie Lees, University of Sheffield  
22–23 May 2006

### Energiepreisrisiken und Auswirkungen auf die Europäische Energiepolitik

Berlin Lunchtime Meeting at DIW Berlin with Claudia Kemfert, DIW Berlin and Humboldt-Universität zu Berlin  
24 May 2006

## June 2006

### Indicators of Progress in Education for Sustainable Development: Perspectives, Challenges, Progress

Seminar at the University of Bath  
Convenor: Graham Room, University of Bath  
21 June 2006

### In or Out of the Euro Area: Does it Matter? an Evidence Based Analysis of the Trade Effects of the Euro

Berlin Lunchtime Meeting at DIW Berlin with Richard E. Baldwin, Institut universitaire de hautes études internationales, Geneva, and Centre for Economic Policy Research, London  
28 June 2006

## July 2006

### Making Bad Jobs Better Jobs: the Low Paid Sector in Germany and the UK

5th British-German Trade Union Forum at the Trades Union Congress, London  
10–11 July 2006

## November 2006

### The Future of Pensions in Britain and Germany

Lecture and Discussion at the Foundation's Berlin office with John Hills, ESRC Research Centre for Analysis of Social Exclusion (CASE), LSE, and Axel Börsch-Supan, Mannheimer Fo-rschungsinstitut Ökonomie und demographischer Wandel  
9 November 2006

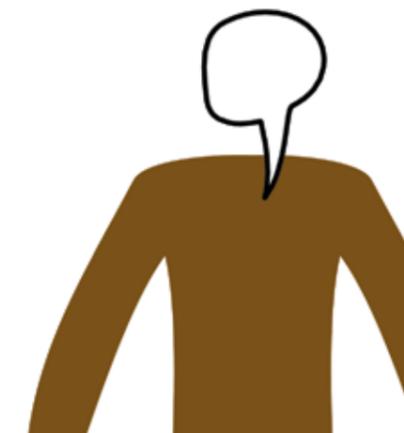


creating sustainable growth in europe: an Anglo-German Foundation Policy Research Initiative

Seminar at the Foreign & Commonwealth Office, London with Tony Atkinson, Nuffield College Oxford; Tobias Kretschmer, Ludwig-Maximilians-Universität, Munich; Paul Ekins, Policy Studies Institute, London; Jochen Clasen, University of Stirling; and David Soskice, Wissenschaftszentrum Berlin  
24 November 2006

### The British Banking System: A Good Role Model for Germany?

Berlin Lunchtime Meeting at DIW Berlin with Andrew W. Mullineux, Birmingham Business School, University of Birmingham  
29 November 2006



Our publications present concise, accessible findings from recent comparative research on significant contemporary political and social issues.

All these reports, and their executive summaries, are available on our website: [www.agf.org.uk](http://www.agf.org.uk) Details of how to order print copies, if these are available, can also be found on the website.

**Making Bad Jobs Better Jobs: Trade Unions and the Low Paid Sector in Germany and the UK**

*Christopher Pick*

Transforming bad jobs into better jobs is a huge challenge – and a huge opportunity – for trade unions in Germany and the UK. It represents an opportunity to find ways of advancing the specific interests of particular groups among unions' members. These include the low-paid, those doing less interesting jobs with poorer career prospects, women, and migrant workers: all groups that many unions have marginalised (if not ignored) in the past. In July 2006 some 30 British and German trade unionists – from leaders and senior policymakers to workplace organisers – academics and commentators met at the Trades Union Congress in London to discuss these issues.

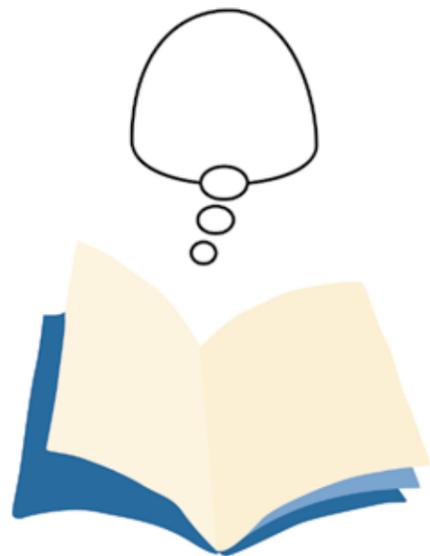
November 2006

**Wind Power in Britain and Germany: Explaining Contrasting Development Paths**

*Joseph Szarka and Ingolfur Blühdorn*

Despite having only average wind conditions, Germany has the largest operating capacity of wind power in the world and enjoys world leadership in the manufacture of wind turbines. In contrast, the UK has the best wind resource in Europe but little installed capacity and an underdeveloped manufacturing base. This report analyses this starkly contrasting development and identifies the underlying reasons for it. These include not just the now widely acknowledged advantages of the German 'feed-in tariff' as compared to the quota system employed in the UK, but the wider institutional and socio-economic contexts that support and underpin these instruments. Perhaps the most important among these is a stable investment environment. The report also proposes a set of policy recommendations based on its analysis.

November 2006  
ISBN 1-900834-62-6



**The British Banking System: a Good Role Model for Germany?**

*Andrew Mullineux and Eva Terberger*

The German financial system is a prototype of a bank-based system. In the 1980s, this was considered an important pillar of Germany's economic strength. Nowadays, Germany is characterised as being overbanked and its banking system inefficient, relatively high cost, not particularly profitable and in need of radical restructuring and the need to reform the German financial system has been widely discussed. Does the British financial system provide a good role model? This study tackles this question with regard to the supply of retail banking services to households and micro and small enterprises (MSEs).

June 2006  
ISBN 1-900834-61-8

**Work-life Balance and Productivity – Trade Off or Complementarity?**

*Nick Bloom, Tobias Kretschmer and John Van Reenen*

Achieving work-life balance is often seen as being in conflict with good management, competition and globalisation. Recent research by the Centre for Economic Performance and McKinsey on over 700 companies in Europe and the US shows that this is not true, and that work-life balance is strongly associated with good management and weakly associated with competition and globalisation.

May 2006  
ISBN 1-900834-60-X

**Statement of the Trustees**

The summarised accounts are a summary of information extracted from the full annual accounts and may not contain sufficient information to allow for a full understanding of the financial affairs of the Anglo-German Foundation. For further information the full annual accounts, the auditor's report on those accounts and the Trustees' annual report may be consulted. Copies of these may be obtained from the Director, Anglo-German Foundation, 34 Belgrave Square, London SW1X 8DZ

The full annual accounts were approved on 28 March 2007. The annual report and the full annual accounts will be submitted to the Charity Commission.

The full annual accounts from which the summary is derived have been audited by the National Audit Office who gave an unqualified audit opinion.

On behalf of the Trustees

Bryan Rigby  
*Chairman of the Board of Trustees*  
29 March 2007

**Statement of the Comptroller and Auditor General to the Trustees of the Anglo-German Foundation for the Study of Industrial Society**

I have examined the summary financial statements of the Anglo-German Foundation for the Study of the Industrial Society which comprise the Summary Balance Sheet and Summary Operating Account on page 8.

**Respective responsibilities of trustees and auditors**

The trustees are responsible for preparing the summary financial statements in accordance with the recommendations of the charities SORP.

My responsibility is to report to you my opinion on the consistency of the summarised financial statements with the full financial statements and Trustees' Annual Report. I also read the other information contained in the Annual Report and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the summarised financial statements.

**Basis of opinion**

I conducted my work in accordance with Bulletin 1999/6 "The auditors' statement on the summary financial statement" issued by the Auditing Practices Board for use in the United Kingdom. My report on the Foundation's full annual financial statements describes the basis of my audit opinion on those financial statements.

**Opinion**

In my opinion the summarised financial statements are consistent with the full financial statements and the Trustees' Annual Report of the Anglo-German Foundation for the Study of Industrial Society for the year ended 31 December 2006. I have not considered the effects of any events between the date on which I signed the audit report on the full financial statements (17 May 2007) and the date of this statement.

M L DAYNES  
11 July 2007

for Comptroller and Auditor General  
National Audit Office  
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LONDON SW1W 9SP

## 8 Accounts 2006

<b>Balance sheet as at 31 December 2006</b>	<b>2006 £</b>	<b>2005 £</b>
<b>Fixed assets</b>		
Tangible assets	1,853	3,188
Investments	2,630,537	2,015,322
	<u>2,632,390</u>	<u>2,018,510</u>
<b>Current assets</b>		
Debtors	61,173	50,861
Investments	813,674	1,568,540
Cash at bank and in hand	78,818	202,664
	<u>953,665</u>	<u>1,822,065</u>
<b>Creditors – amounts falling due within one year</b>	<u>(33,525)</u>	<u>(21,211)</u>
<b>Net current assets</b>	<u>920,140</u>	<u>1,800,854</u>
<b>Total assets less current liabilities</b>	<u>3,552,530</u>	<u>3,819,364</u>
<b>Capital and reserves</b>		
Strategic reserve	150,000	2,180,158
Operating account	3,402,530	1,639,206
	<u>3,552,530</u>	<u>3,819,364</u>
<b>Operating account for the year ended 31 December 2006</b>	<b>2006 £</b>	<b>2005 £</b>
<b>Gross income</b>		
Grant from the United Kingdom Government	–	250,000
Grant from the German Government	–	–
Environment Forum grants	–	–
Income from activities	846	996
Income from listed investments and interest receivable	150,225	157,697
	<u>151,071</u>	<u>408,693</u>
<b>Resources expended</b>		
<i>Cost of generating funds</i>		
Investment management fees	11,670	12,414
Cost of publication sales	2,391	3,950
	<u>14,061</u>	<u>16,364</u>
<i>Charitable expenditure</i>		
Costs of activities in furtherance of the charity's objects:		
Grants payable – ordinary project expenditure	71,838	190,993
Events	16,059	28,805
Creating Sustainable Growth in Europe	10,009	15,383
Publishing	9,562	15,799
Support costs	139,833	136,953
Management and administration	114,408	112,052
	<u>361,709</u>	<u>499,985</u>
<b>Total resources expended</b>	<u>(375,770)</u>	<u>(516,349)</u>
<b>Net outgoing resources for the year</b>	<u>(224,699)</u>	<u>(107,656)</u>
<b>Other recognised gains and losses</b>		
Profit/(loss) on sale of investments	(21,772)	(4,586)
Unrealised gain/(loss) on investments	(11,611)	30,761
Exchange gain/(loss)	(8,752)	(15,451)
	<u>(42,135)</u>	<u>(19,276)</u>
<b>Net movement in funds for the year</b>	<u>(266,834)</u>	<u>(96,932)</u>
Opening funds	3,819,364	3,916,296
Closing funds	<u>3,552,530</u>	<u>3,819,364</u>