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OPINION

Germany's Bureaucracy Crisis: How Red Tape Is Costing the Economy €146 Billion a Year



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How Bureaucracy Is Strangling Germany

For seven years, Germany's economic output has stagnated, and one of the causes is rampant bureaucracy. There is hardly any country where entrepreneurs and citizens do not complain about bureaucracy, but in Germany, it has reached a new dimension. The renowned German ifo Institute estimates that Germany loses 146 billion euros in economic output every year due to excessive bureaucracy — the equivalent of about four percent of the gross domestic product. Companies have had to hire hundreds of thousands of employees (325,000 since 2022 alone) simply to comply with the countless bureaucratic regulations. In 2010, German federal legislation comprised around 25,000 pages; today it is almost 40,000. Every year, another 1,000 pages are added — and this does not even include the numerous EU regulations. These figures can be found in the excellent book by economist Daniel Stelter, “Absturz. So retten wir Deutschland” (“Crash: How We Save Germany”), which is currently generating considerable debate in Germany.

Promises to Reduce Bureaucracy — The Opposite Happens

For decades, every German government has declared in countless speeches how important it is to reduce bureaucracy. And exactly the opposite is happening. European Commission President Ursula von der Leyen promised an “unprecedented” reduction of regulations in the EU, but the opposite

occurred. In 2025, the European Commission launched 1,456 legal acts — more than in any year since 2010. “It is difficult,” economist Stelter writes, “to identify the most severe burden on the economy among regulations such as the Supply Chain Act, anti-deforestation rules, pay transparency requirements, anti-money laundering measures, industrial emissions rules, soil protection laws, packaging regulations, eco-design directives, and much more.”

The EU taxonomy regulation will probably prove to be the greatest burden: politicians decide which loans are “good” and which are “bad.” I describe this as centrally planned thinking. What is the difference between a market economy and a planned economy? In a market economy, millions of entrepreneurs and consumers decide what should be produced. In a planned economy, politicians decide. Private property is being hollowed out more and more. Eventually, it becomes an empty shell because the state determines what the “owner” may do, must do, or must not do with “his” property.

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Why Is Bureaucracy Reduction Not Moving Forward?

Reducing bureaucracy would actually not be that difficult, according to Stelter: “The essential measures do not require new laws; one simply has to abolish laws passed over the past ten to twenty years. That is much faster than drafting and coordinating new legislation.”

So why is it not happening? And why is bureaucracy particularly severe in Germany? Most bureaucratic regulations in Germany are ideology cast into law and regulation. It is presented with appealing labels such as “consumer protection,” “protection of employees,” “environmental protection,” “youth protection,” and so on. At its core, it is a Left-Wing and green ideology that is eventually transformed into legislation.

3,200 Social Welfare Clauses

Even with the use of artificial intelligence and considerable scientific effort, the ifo Institute was unable in 2025 to produce a complete inventory of all social benefits and their effects. Researchers documented more than 500 social welfare programs, but had to admit that the purpose, target groups, and costs of many programs could not be quantified. Social benefits are spread across twelve social codes containing more than 3,200 clauses and numerous special provisions. The federal government alone has created more than 300 different programs, some of which overlap. More than 17 percent of all public-sector employees in Germany now work in the field of social security. Social insurance institutions alone employ 364,000 people and generate administrative costs of 25 billion euros.

Germans have one positive and one negative characteristic. The positive characteristic is their thoroughness. The negative characteristic is their affinity for radical ideological thinking. Germany wants to save the world from a [climate apocalypse](#) and eradicate poverty worldwide. The latter is pursued through mass immigration and development aid: no country in the world

spends as much on development aid as Germany (29.1 billion euros). When ideological thinking is implemented especially thoroughly and perfectly, the result is the suffocating flood of laws and regulations under which Germany suffers.

The State Keeps Expanding

Will this change? Reducing bureaucracy will not succeed unless the underlying causes are first eliminated — above all, Left-Wing and green ideology. Even though Chancellor Friedrich Merz promised before the elections that “the left is finished,” we see every day that this is not the case.

The state continues to expand. More than five million people now work in Germany’s public sector, representing eleven percent of the workforce. Since 2012, the number of public employees has increased by 584,000, or 14 percent. If one also includes employees of social insurance institutions as well as publicly controlled entities and companies under private law (such as Deutsche Bahn), the picture becomes even more dramatic: since 2012, another 943,000 employees have been added, bringing the total to 6.7 million.

[Editor's note: this is part one of a four-part series.]