

# **Democracy Won – Economic Change Imposed: German Unification as a Case of Rapid Large-Scale Reforms**

by

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## **1. Introduction**

As the only case of an externally sponsored transformation, the transition of GDR to democracy and a market economy resembles many peculiar features. East Germans appear privileged by the opportunity of unification with the Federal Republic of Germany (FRG), because this meant the riskless introduction of a well-proven institutional system. However, unification not only brought about the advantages of a “ready-made state” (Rose/Haerpfer 1997) but also access to large financial transfers that must not be repaid. Annual transfers in the order of 80 billion US\$ not only allowed for the rapid improvement of the public infrastructure, but relieved the majority of private households from the impact of the transition crisis that hit all other post-socialist countries.

Though it appears very unlikely that the East German model of transition will be replicated anywhere else, it resembles an interesting experiment with insights into the feasibility of rapid institutional change. In particular, East Germany allows for an assessment of not only the beneficial but also the harmful consequences of voluminous external assistance to large-scale social change. The purpose of this paper is to elucidate the peculiar path taken by the citizens of GDR on their way to democracy and a market economy. In order to concentrate on major facts, I would like to draw attention to three features: *first*, the process of democratization (section 2), *secondly* the policy pattern chosen for the difficult task of economic transformation (section 3), and, *thirdly*, the style and stage of decision-making that allowed for the peculiar path of transition (section 4), but very soon backfired on its proponents in an unforeseen transformation crisis (section 5).

## **2. The process of semi-spontaneous democratization**

The collapse of GDR was neither planned and carried out by the East German dissidents nor was it organized by the West German government. Of course, both groups of actors welcomed the series of events in the autumn of 1989 and responded to them in a way that favored precisely those who wished to undo with the given system. However, the decisive change was brought about by East German masses engaging in two different forms of “social movement”. On the one hand, an increasing number of citizens illegally migrated to West Germany via the then still socialist countries of Czechoslovakia and Hungary. On the other hand, starting in the city of Leipzig, more and more people took to the streets demanding democratic freedoms and institutional reforms. As Albert Hirschman (1993) put it, the large crowds of mainly younger people departing from the

GDR and leaving behind everything they could not carry by their hands, strengthened the position of those who voiced their demands on the ruling elite. This interplay of the “exit” and the “voice” option lent moral strength to those who, during their daily manifestations, would have shouted “We will stay here!”.<sup>1</sup>

Experiencing a crisis of legitimacy, members of the Politburo of the SED<sup>2</sup> had urged chairman Walter Honecker to resign. Having chosen Egon Krenz as his successor, they hurried to demonstrate readiness for delivering at least some of the reforms demanded by the masses. However, these series of mobilizing and delegitimizing events could only by chance, i.e. by an additional event, lead to the collapse of the regime. This happened on November 9th, when the border between East and West Berlin (and later on all the “walls” between Eastern and Western Germany) was opened to the crowds. Though the opening of the border took place as a consequence of loose announcements followed by misinterpreted orders given to the border guards, it became an irreversible fact and, at the same time, an irresistible opportunity for Easterners to cast a glance at the nearby, up to then inaccessible, Western way of life. The next day, everything had changed. From now on, free border-crossing communications were a default condition. While people from both sides, in increasing numbers, traveled to what had appeared to them the “different” part of Germany, the political system of the GDR underwent a thoroughgoing change.

A period of endogenous “democratization” started that can be summarized by referring to four steps.<sup>3</sup> Step number one had already been made by the masses demanding that the oppositional group called “The New Forum”<sup>4</sup> should be granted a legal status by the government. The party leadership had little choice other than to respond positively to such demands, because GDR’s constitution did not preclude the right to form civic associations. As step number two, the new independent political groups succeeded in demanding access to the level of governmental decision-making. This was achieved by creating informal participatory bodies called “Round Tables” that allowed representatives of the civic groups to discuss everything that was to be put on the agenda of either the government or the parliament on national as well as district level. Another aspect of this process is that the democratic impetus was not restricted to the new associations such as the New Forum. Instead, almost all former socialist mass organizations, and in particular the leading party SED itself, started participatory reforms of their own. Many chairpersons and leading functionaries declared themselves “democrats” and offered opportunities for participation (of more or less efficiency) to the rank and file. On November 4th, the members of the SED assembled near the party’s headquarters and impressively argued for thoroughgoing organizational reforms on all levels. As a consequence, a party congress was held very soon. Even former dissidents (such as Dr. Rudolf Bahro who was imprisoned for several years) were invited to participate and frankly discuss the party’s misguided behavior in the past. A new leadership was chosen and a different party platform was agreed upon. The party opted for “democratic socialism” and changed its name to PDS. Similar changes took place in the trade

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<sup>1</sup> For a more detailed analysis of the events leading from mass action to political change see e.g. Opp (1991).

<sup>2</sup> GDR’s communist party, because of having been created by an enforced merger with Social Democrats, had named itself “Socialist Unity Party of Germany” (SED).

<sup>3</sup> There are more detailed studies of German unification available, e.g. Jarausch (1994), McFalls (1995) and Maier (1996).

<sup>4</sup> The New Forum as the major civil rights association had emerged simultaneously at several East German towns in summer 1989. It gained country-wide reputation through courageously pleading for ‘true’ democratic socialism and the rule of law.

unions, the mass organizations of youth and women as well as in local administrations, editorial departments, scientific institutes, hospitals and other public service institutions. The “Round Table” became the symbol of both democratic progress and the definite end to political exclusion and repression (Thaysen 1990).

Step number three was done on March 18th, 1990, when the GDR held its first free democratic national elections. However, this step included extensive preparations that already had started in December 1989. It was no later than this that the option of unification had reached the public agenda. Thus, West German parties were eager to present themselves to the citizenry, mainly by allying with the new or reformed indigenous parties of the East. The only parties lacking Western assistance were the Postcommunist PDS winning 16.4% of the votes and several smaller parties formed by the civic associations that together won less than 5%. A coalition government was formed by the CDU and the Social Democrats that turned out to be the winners of the election. The ruling coalition started negotiations with the West German government resulting in two treaties: one on the establishment of the so-called Economic, Monetary and Social Union (EMSU) on July 1st, 1990, the other on the accession of the GDR to the West German constitution as it was completed on October 3rd, the same year.

Before the two German states united and the institutional system in the East became in almost all details adapted to its counterparts in the West, step number four in the process of GDR’s democratization was made. It consisted of two single acts, one being the re-foundation of the traditional states (the so-called “Länder”) that replaced the administrative districts once created by the communist government. The second act was the creation of a legal framework for local self-government (including local parliaments, administrations and mayors elected by the parliament or even directly by the citizens).

Altogether, in exactly twelve months, the citizens of GDR experienced a total change of the political system. Having started with non-violent, however risky manifestations to oppose the monolithic rule of the SED regime, they ended up with a full-fledged copy of a democratic political system with basic elements that resemble the tradition of the world’s oldest democracy, i.e. British parliamentarism.<sup>5</sup> Although the process of democratization considerably benefited from external help, namely by West German executives and politicians, it is to be seen as the work of the citizenry itself. Without the popular will no longer to suffer from political exclusion and repression, or without the enthusiasm demonstrated by the civic action groups, the process would neither have started at all nor produced widely accepted outcomes in such a short span of time.

Though democracy became installed “bottom up”, not long after its completion two shortcomings became visible and triggered signs of dissatisfaction. On the one hand, the establishment of democracy together with the rule of law came along with a huge personnel turnover that spilled many experts from the West into privileged positions in the East. Thus, those who held these positions before as well as those who aspired to win a mandate of their own, felt frustrated. On the other hand, the “Round Tables” that proved so helpful as intermediary institutions facilitating

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<sup>5</sup> This does not mean that there was a direct route from the Leninist to the Westminster model. However, we are reminded that, after World War II, the West German democratic system was imported as well. In fact, German democracy owes a lot to Great Britain and the United States whose governments acted as supervisors when democracy became re-introduced after Germany’s defeat in 1945.

the transition appeared to be inconsistent with the more formal institutions of the representative democracy. Though single “Round Tables” survived for one or two years, their devaluation led to disappointment (Izeki 1999). As we know can see, enthusiasm for democracy was, to a certain degree, associated with a preference for direct and informal participation. Obviously, it is not always the most efficient – or even the most democratic – forms of democracy that attract maximum popular support and understanding.

### 3. The Pattern of Economic Transformation

When measured in terms of immediate results, unification would not seem to be an entirely advantageous process. Its less pleasant features would appear to be: (i) a rapid decline in domestic production from 1989 to the end of 1991 by more than 40%;<sup>6</sup> (ii) the loss of 37% of all jobs (from 1989 to 1993);<sup>7</sup> (iii) investment conditions that are definitely less attractive than in the neighboring countries of Eastern Europe; (iv) an extraordinary share of personnel turnover in the upper echelons of political and managerial hierarchies; (v) massive unemployment and a renouncing of labor market related skills. This bundle of unpleasant features gave rise to the suspicion that the *Bonn* government paid only lip service to the goal of a socially secure mode of transition, and had in fact embarked on the path of so-called shock therapy.

Before going into detail, a short remark on the *political* value of shock therapy seems appropriate. Notwithstanding several strong arguments which social scientists raised against this infamous blueprint approach to economic change, some positive features which hold true do exist. The valuable aspect of shock therapy is that it provides a list of all measures assumed indispensable for a proper departure from the state economy. Since this is a key problem of transformation, alternative approaches, if not bound to failure from the outset, appear to be obliged to respond to the same exact demands for (macro-) economic consistency and rational political planning upon which the concept of shock therapy claims to be based. Thus, the concept offers a yardstick to measure the „task awareness“ as well as the „goal productivity“ of any competing approach to economic transformation. It does so by distinguishing between six conceptual elements:<sup>8</sup> (i) the freeing of prices and the embarkment on an open trading policy; (ii) sharp cuts in state subsidies to individual and business recipients; (iii) the attainment of currency convertibility subsequent to the devaluation of the exchange rate; (iv) income policies which block any tendency towards wage explosion; (v) budget reforms which include the restriction of state credits; and (vi) the simultaneous application of a maximum number of the measures mentioned above in order to inhibit insider profits and the inefficient allocation of scarce resources.

As transition costs are expected to increase over the course of the transformation process, the aim of shock therapy, as idealized above, is to save, in total costs, on the cost of transition. It aims at the same time to work as a kind of insurance against political opportunism by concentrating all painful interventions at the start of the transition. Thus, it enables the government to stick to the chosen strategy despite the opposition provoked by harmful interim results.

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<sup>6</sup> Gross domestic product (in prices of 1991) fell below 69,7 % of its 1989 level in 1990, and below 58 % in 1991.

<sup>7</sup> Job losses in industrial sectors were even more tremendous. The number of persons employed fell from 2.1 million in January 1991 to 0.7 million in June 1993 (Nolte/Ziegler 1994).

<sup>8</sup> Cf. Sachs (1989), Fischer/Gelb (1991) and Brada (1993).

Allocating decisions this way is considered superior to the alternative of a prolonged sequence of single actions which are aimed at the same target but evaluated separately, i.e. such that composite effects aspired to are ignored. From this perspective, shock therapy not only guarantees the consistency of a set of functionally interdependent measures, but also offers protection to political actors against the temptation to behave opportunistically. However, since the concept allows decisions to be decoupled from the interim outcomes of the transformation, it has its rigid sides.

Has shock therapy been introduced in East Germany? The answer is a definite no. Only two of the five substantial measures, namely the unfreezing of prices and cutting of subsidies were introduced at the start of economic and monetary union on July 1, 1990. The freeing of prices was accompanied by the abrupt and unrestrained subjection of East Germany to global market conditions, a feature of East German transformation which would appear unique by comparison to what was occurring at the same time in other postcommunist countries. For businesses in East Germany, the sudden inclusion into the world economy meant they had a painful lack of time to accommodate to dramatically changed conditions. Thus, firms went out of business or became dependent upon massive state subsidies. While these decisions concerning prices and (mainly consumer) subsidies were harsh and may be in line with shock therapy, this does not hold true for the remaining measures.

Currency convertibility was obtained in conjunction with an enormous revaluation of the exchange value of the East-German *mark* by 400 per cent. A further deviation away from the concept of economic stabilization was that wages and social incomes were fixed at a one-to-one relation with the West-German *mark*. According to the perspective held early on by the government, the gap remaining between income levels in East and West Germany would disappear within five years. Although no legal measures were taken to achieve this target, its proclamation obviously had a negative impact on investments. As a consequence, a third deviation became necessary: the state's abstention from a restrictive budget policy. On the contrary, because transfer incomes that were to compensate for job losses had to be financed by loans, the total volume of state credit increased from 45.5% of GDP (in 1990) to 65.0% in 1997.

In the end, the pattern of policies for economic transformation was significantly lacking in consistency when compared to the policy catalogue of shock therapy. Instead, the pattern combined decisive steps of market-oriented liberalization while granting opulent favors to the East German electorate for „political reasons“, i.e. in order to improve the government's chances for re-election. This very special pattern accounts for the socio-economic paradox of the GDR's incorporation by West Germany: the fastest decline in economic performance to be seen in East-Central Europe was accompanied by the fastest and closest approximation of West-European income levels (including transfer incomes).

Given that the pattern of the EMSU that became effective on July 1, 1990 significantly deviates from the catalogue of policies prescribed by genuine shock therapy, this model of transformation appears to be characterized by two features: first, its temporal structure which is unequivocally denounced as a „jump start“ (Pickel 1992), i.e. a once-and-for-all strike with little leeway for fine-tuning and feedback learning, and secondly, by being subjected to political compromise or even opportunism. The empirical outcomes of the economic transformation may appear surprising, even from two opposing points of view (cf. Wiesenthal 1995). On the one hand, those

who claim that East Germany was hit with extremely unfavorable policy measures have to acknowledge that in terms of performance the transformed economy quite closely resembles the economies of other post-socialist countries. Despite the de-industrializing impulse of EMSU and the subsequent massive lay-offs, the growth rate of industrial production as well as the overall unemployment rate by and large equals (if not outperforms) those in Hungary, Poland and the Czech Republic. Thus, East Germany can hardly be regarded as having been exceptionally burdened by its sudden integration into the FRG. On the other hand, the macroeconomic data indicates little evidence that the huge amount of financial aid that flowed from West to East Germany had a positive impact. Vis-à-vis similar aggregate data for economic performance, the discrepancy of financial subsidies given to East Germany and, let's say, Poland indicates very clearly the „political price“ paid by Western elites for an immediate and irrevocable incorporation of East Germany.

#### **4. Context, Stage and Style of Decision-Making**

Whereas the economic transformation, having been designed according to political priorities, turned out to be a long-term project with uncertain results, the wholesale transformation of East Germany's institutionalized rules and regulations is regarded as an outstanding success. There is no other former socialist country that succeeded in such a short period of time in establishing a totally reformed system of legal institutions. Of course, only in the German case, was the option of encompassing „institution transfer“ (Lehmbruch 1994) a given. However, as even the proponents of rapid unification might have known, the formal act of „copying“ rules does not entail a guarantee that once having been implemented in a different social context these rules will work in a proper and calculable way. In this section, three characteristics of the complex process will be discussed that might help to explain why political actors felt justified to embark on the risky strategy of immediate unification.

##### *4.1 Context: The Dynamics of Decentralized Actions*

Institutional transformation not only entailed an export-import transaction of rules, but a series of motives, actions and actors relating to these institutionalized rules--one way or the other--emerged as well. Shortly after the opening of the borders and months before the government of the GDR decided upon the country's accession to West Germany, not only political but also economic and social life had changed tremendously. Open borders to the West represented to East Germans a qualitatively changed opportunity structure on labor as well as commodity markets. At the same time, East Germany became an attractive field of action for collective actors from the West, above all to business firms of every size. Furthermore, a huge variety of „civil society“ organizations such as political parties, trade unions, employers' and business associations, as well as organizations for the advancement of professional interests or the provision of welfare rushed to establish themselves in the East. At the same time, state governments, which are semi-autonomous actors within the federal system, established a cooperative relationship with certain Eastern states which in turn had a considerable effect on institution building. This kind of „peaceful invasion“ was already completed before October 1990 when unification formally came into effect. Accordingly, it took less than one year for many associations of genuine East German origin to lose their impact on public policy. Even the majority

of organizations that emerged during the period of endogenous liberalization and democratization, i.e. between September 1989 and March 1990, turned out to be the losers when confronted with West German competitors.

Thus, the transformation of East German society was not only the project of the federal government, but, at the same time or even before, of „private“ actors who were able to capitalize on their superior organizational skills and the institutional privileges given their affiliation with the corporatist layer of Germany’s political system (Katzenstein 1987). The implicit rationale of Western collective actors for rushing to establish themselves in the East was to secure their position of influence relative to that of other actors. By doing so, they helped to install the same system of governance in their respective fields of interest as was already in place in the West (Lehmbruch 1994).

The predominance of external actors impacted on the social costs of transformation. As a first example, Western interests determined the complex procedure for the retroactive re-allocation of property rights in real estate. This resulted in an enormous volume of claims West-German citizens were able to lay and had a detrimental effect on conditions of investment and reconstruction in the East. A considerable share of private investment projects were postponed because their realization was constrained by protracted and tedious legal procedures having to do with the clarification of property rights.<sup>9</sup> The most severe problems have not originated from restitution as such (which is an appropriate reaction to former injustice in other countries as well), but from the principled priority given to return in kind over indemnification.

Example number two concerns the course of wage policy in East Germany (Ettl/ Wiesenthal 1994). In early 1991, representatives of both organized employers and employees in the metal industry agreed upon a series of substantial wage increases whose aim was to have East German wages approach the West German level of nominal wages by the spring of 1994. In view of the extremely weak performance of East Germany’s economy, this agreement would appear paradoxical: A shrinking economy with unit labor costs far in excess of those of external competitors was bound to suffer from wage increases which, instead of being made dependent on increased productivity, were fixed according to a yardstick brought in from outside. The high-wage strategy triggered several follow-up agreements in other industries, most of which imposed severe burdens on firms under reconstruction. It is a significant example of representational asymmetry in the sense that neither trade unions nor employers’ associations acted on behalf of predominantly East-German interests. As a consequence, terms of investment in the East became extremely worse and the Eastern part of Germany’s economy was seen as being set on a course to a German *mezzogiorno* (Brakman/ Garretsen 1993).

#### 4.2 Stage: Contracting Transformation in the Foreign Policy Arena

Confronted with both the enthusiasm of East Germans demanding the introduction of the West German currency, and the readiness of the Moscow leadership to concede to some sort of unification, the Bonn government preferred the once-and-for-all approach over any alternative. In

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<sup>9</sup> Since many former owners of Eastern real estate, namely those belonging to the better-off, had migrated to West Germany before the wall was built, Westerners make up the major part of claimants for the restitution of real estate.

order to make the best possible use of a „window of opportunity“, Chancellor Kohl and his government resolutely tried to circumvent situations in which they could become trapped in conflicts about the volume and pace of institutional reforms. Anticipating an eventual conflict over principles of transformation strategy between government and opposition, the government chose to „locate“ strategic decision-making in an arena where it was considerably less constrained by the presence of political opponents than in standard procedures of decision-making on constitutional and domestic policies. Thus, the government avoided to put the issue of „How to deal with GDR?“ on the agenda of domestic policy and instead handled it as a topic of foreign policy. Decisions made in this arena concerned the procedure of incorporation, its time schedule, and the actors involved. Since this *procedural* characteristic of decision-making resembles the once-and-for-all approach of shock therapy, the impression could arise that a variant of it had been launched at the start of unification.

From a broader perspective, it could be determined that politics gained priority over policy because the ruling political elite held a strong preference for the preservation of West Germany's institutional order. This preference not only concerned the issue of constitutional integrity vs. reform, but also the informal rules of procedure, i.e. the „division of labor“ between state and private actors. Were a gradualist approach to have been chosen as was apparently preferred by the Social Democratic Party and the Green Party, the accession of the GDR to the FRG in the eyes of government would have unraveled a series of opportunities suitable for putting into question even the well-established institutions of the West. The issue of proper institution-building would have been irreversibly placed on the agenda for at least a decade, since there would have been little chance that the quest for „new“ institutions for the East would have remained decoupled from demands for more „appropriate“ institutions in the West. For this reason, as was clearly revealed in reports authorized by two of the negotiators on the side of government (cf. Schäuble 1991; Teltschik 1991), the latter did not hesitate to choose a non-gradualist strategy. By doing so, it clearly departed from the mode of cautious incrementalism that up until then had dominated the political processes in the FRG.

As part of the complex consequences, the population of the GDR, on the one hand, received extremely favorable gratifications in terms of currency revaluation and income growth, but, on the other, were subjected to a shock, both in terms of institutional change and economic decline, thereby effecting substantial economic, social and „moral“ costs.

#### *4.3 Style: The Role of Political Myths*

Besides rational calculations that were involved in transformative decision-making, incidents of delusion have been intrinsic elements of the process as well. They appear to be partly consciously cultivated, and partly incidentally emerging within the context of key decisions made under circumstances of genuine uncertainty. While some actors might have welcomed the outgrowth of mythical and wishful thinking, others have apparently contributed to its political significance in order to secure support for policies given the absence of sufficient information to make rational choices. Simply put: some participants acted as true believers and some participants acted as managers of social cognition by selectively enforcing or denying certain interpretations of the all-too-complex circumstances. Two prominent examples of misconstrued reality will be addressed in the remainder of this section.

Since East German politicians and academics were much less prepared than their Polish or Hungarian colleagues for delivering a proper diagnosis and assessing available options, they in fact left the discussion of transformation policies to their Western colleagues. The Western experts' debate on the proper way to reconstruct the GDR economy, however, had little impact on policy choices. Although several experts, among them the president of the central bank, correctly predicted a rapid decline of production and employment in the East, their warnings were ignored by the government. Thus, the question arises as to how government officials could legitimize their daring boldness despite deliberate economic reasoning which warned against their intended course. There is a simple answer to this: In order not to do without an economic frame of reference, an alternative framework was chosen which evoked the idea that West Germany's „economic miracle“ could easily be replicated.

However, economic conditions of post-war West Germany in the period between 1945 and 1965 were quite different from the situation in 1990 (Siebert 1992; Hankel 1993). The „economic miracle“ had been the outcome not only of diligence and hard work, but also of a set of favorable macro-economic circumstances. Beside demographic and structural conditions that proved extremely functional for accelerated growth, the early FRG benefited from a stable and significantly devaluated exchange rate, restricted capital transfer, as well as tariffs and import controls which favored exports and directed increasing demand for consumer goods to domestic suppliers. Over the last decades, however, the present West Germany has emerged into an integral part of the global economy. The ignorance of these changes contributed to the peculiar risks that the East German economy had to face.

Another misconception influenced decision-making on unification: the suggestion that migration from East to West Germany would steadily increase and destabilize the Western labor markets. There is strong empirical evidence for the assumption that a considerable share of the population was inclined to move to the West in order to look for a well-paid job. However, implicit in this assumption was the suggestion that in assessing their future prospects, East Germans preferred high wages to (more) secure employment opportunities. Early research on both individual preferences and pressing problems of business in East Germany (as done by Akerlof et al. 1991) revealed a reversed order of preference, i.e. greater concern with employment security than with wage levels.<sup>10</sup> However, the misconception that East Germans could be persuaded to stay because of the lure of higher wages in uncertain jobs proved helpful for Western trade unions, as well as employers' associations when they embarked on a strategy aiming at beating potential competitors from the East. Again, long-term social costs of decisions based on assumptions made about migration appear tremendous both in terms of unemployment figures as well as financial transfers.

## **5. Unexpected Dissatisfaction**

As the only case of an externally driven--externally directed as well as sponsored--transformation, it spared its participants, the citizens of the former GDR, most of the problems faced by the

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<sup>10</sup> In a cross-national survey among citizens of post-socialist countries East Germans show a strong preference for employment security at the expense of higher wages. Only 12 % of East-German interviewees agree with the statement that „wages are more important than jobs“ (Rose/Seifert 1995).

populations in other reforming countries. Whereas in fact the FRG government „transformed” the GDR, it followed a constitutional mandate to ensure „the equality of living conditions in the federation” (Article 106 (3) 2, Basic Law). This clause is widely considered not only a binding definition of the goal of transformation, but also the determinant of the ways and means of achieving it. Thus, the transition of the GDR to democracy and a market economy seems an anomaly among the other post-socialist countries with respect to two fundamentally positive features: on the one hand, the fact of being associated with the realization of a strong national impulse--as demonstrated by both the East Germans’ shouting „We are one people” and the West German taxpayers’ acceptance of the financial consequences--and, on the other, because of being relieved from the otherwise inevitable blood-sweat-and-tears strategy as is being experienced by the majority of citizens in East Central European countries who lack the advantages of a „ready-made state” (Rose/Haerpfer 1997).

However, after only three years of transformation, a considerable degree of popular frustration and dissatisfaction became apparent. Obviously, the GDR’s special status did not translate into only favorable conditions. Even the unification option entailed specific risks, in particular the risk that politicians would greatly overestimate their capacity to shape and mold an entire society, while underestimating the problems of transformation. As an unexpected and intriguing outcome, even the most „comfortable” way of departure from socialism appeared to trigger signs of dissatisfaction. Surprisingly, „post-unification dissatisfaction“ (Wiesenthal 1998) did not explicitly refer to economic conditions or the market economy as such. Instead, it manifested itself in political discontent.

Disapproval of the parliamentary system became particularly evident in surveys taken concerning the approval of a (fictional) suspension of parliament (Seifert 1994: 23) and the endorsement of the recent political system change (Rose/Haerpfer 1995: 435). East Germans were significantly less enthusiastic about the new democracy than the citizens in Poland, Hungary, Croatia and the Czech and Slovak republics. National surveys carried out two years later indicated that dissatisfaction with the institutional system appeared to have grown. The questions asked refer to the overall result of unification, the „entire system”, and the gains and losses from unification in particular. An opinion poll carried out by *Infratest Burke* at the end of 1995 shows an increased level of frustration with „the system of the Federal Republic”. Whereas in 1990 a slight majority of East Germans (51%) endorsed „the system” as a whole, in 1995 positive judgments dropped to 33% (compared to 86 % of West Germans). At the same time, the share of those East Germans that held „the former system of the GDR” to be better than the present set of institutions had doubled from 11% to 22% (Infratest Burke 1996).

Another indicator of dissatisfaction which emerged in political and academic debates assumed that East Germany had undergone a process of „colonization“. Some confirmation stems from perceptions of actual exclusion and discrimination experienced namely by those who became redundant in the labor market or were threatened by claims for restitution. Further evidence is found by a certain tendency in the Western media to ruthlessly devalue individual and collective achievements accomplished under socialism. Even if the picture of an imposed colonization appears ambiguous given the broad flow of financial subsidies, its main components were broadly believed: First, because there is evidence that many regulations associated with the chosen path of transformation serve *certain* self-interests of West-German actors and institutions. Second, the complexity of societal transformation most often is ignored; instead, people tend to assume that all

the uncertainties and frustrations experienced are the outcome of arbitrary decision-making which could easily have yielded more favorable results. Thus, the causal chain from actual starting conditions in the disintegrating GDR to the lasting incongruity with the present West Germany is fading.

Despite the fact that the German way is the most secure departure from socialism, it paradoxically gave rise to strong feelings of dissatisfaction. As a further irony, the one single case of transformation that very closely adheres to the postulate that all hard decisions should be cast once and for all at the start, tends to encourage the view that a change of personnel would help to alter the overall pattern of outcomes. How could these beliefs gain validity in the midst of widespread disapproval of socialism and a series of obvious improvements in terms of individual options and entitlements? A reasonable explanation could be the extremely contracted revolution of the former system that collapsed too quickly to allow all of its supporters to develop a solid understanding of both the need for and the risks of change. An analogous explanation could point to certain attitudes which have survived the social and political culture of GDR (Wiesenthal 1998).

Since in the GDR the share of true believers in socialism might have been higher than anywhere else outside the USSR, there was, on the one hand, a considerable minority of citizens who opposed the rush to German unity. On the other hand, many more people than those deserving of the label true believer were influenced by the values and world views of the former system. Nearly all East Germans shared some elements of „socialist“ identity that furnishes its holder with a sense of collective history and a common basis for self-esteem. Coping with the challenges of their new and thoroughly ambiguous environment, many East Germans tended to revive and cultivate socialist values that they in former times might not have regarded as being at the core of their identity (Pollack 1997). Of course, material gains alone could hardly motivate these individuals to agree to all changes that were taking place in their social environment. Even generous gratifications could not suffice to win the consent of the entire population.

Alas, the logic of material gains itself entails a peculiar disadvantage. Comparing the temporal pattern of East Germany's transformation with that of other post-socialist countries, one envisages that a lot of unrealistic expectations were in fact bolstered by the suggestion that the transformation of the GDR would move forward without individual sacrifices or costs to bear. Because this overly optimistic expectation was necessarily bound to fail, the GDR's transformation lacks a certain advantage which proper transformation strategies in other countries would deliver. Where there was no alternative other than to allocate all major social hardships in the initial stages of transformation,<sup>11</sup> further down the line a lot of aspirations associated with it were likely to become satisfied. This means: under optimal circumstances, a „hard choice“ strategy is capable of creating *ex post* certain prerequisites for its ultimate success--by starting from a situation bad enough to subsequently provide solely positive experience. Because in East Germany most „goods“ that might become available through transformation were pre-paid by the West and distributed at the start, further developments failed to create satisfaction from the progress made thereafter.

## 6. Conclusion

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<sup>11</sup> Proponents of shock therapy are very clear on this point. See e.g. Sachs (1991: 28) and Brada (1993: 94).

A proper understanding of what the unification of the two German societies has brought about-- besides the obvious gains in political and economic freedom--must also entail a long-term perspective on the options that became foreclosed as well as those that might still be open for future use.

For West Germany, unification meant the sudden overthrow of the given agenda. As a consequence, unification „backfired“ on German politics in an unforeseen way. Though it had already become clear that West Germany's institutional system was in need of a series of thoroughgoing reforms in order to adjust to changes in the global economy, this topic suddenly disappeared from the agenda that now became occupied with all the pressing issues of (financing) unification. Unfortunately, this unfavorable situation was made worse by false beliefs: A major part of West Germany's ruling elite held the unjustifiable belief that institutional homogeneity of West and East could guarantee equal economic strength. However, given the unmet need for reforms in the West, the true alternatives were either to secure a high level of economic performance in the East by allowing for institutional innovations, or to secure institutional homogeneity at the price of reduced chances for economic recovery. Because the latter alternative was chosen, the political and economic terms of unification led to a genuine dilemma which even ten years later has yet to be solved.

Another problem that remains to be dealt with appears to be the lasting „mental divide“. What now seems to be forgotten in the West, is that among those who participated in the upheavals and mass demonstrations of 1989 were many true believers in socialism who felt that its humanitarian ideals were given up by the ruling elites. From this perspective, the „socialist legacy“ of post-socialist countries appears to be wrongly interpreted when attributed solely to past institutional designs or a repressive political order. Rather, to a considerable extent political „feelings“ and affiliation were emergent outcomes of the ideological division marked up by the global competition between the capitalist and socialist „systems“. Although, this division now is about to be overcome, its mental legacy is still alive. It also relates to the positions taken by both East and West Germans respectively because of their unreflected involvement in the „system competition“. While this aspect of the (East) German situation lacks any counterpart in East and Central Europe, there might be analogous conditions in Asia, namely with respect to the people in the two Korean societies as well as to the people of Taiwan vis-à-vis the citizens of the People's Republic of China.

Returning to the case of Germany, one has to acknowledge that post-unification dissatisfaction exists independent of the level of economic burdens and be resistant to further improvements of social welfare. It can only disappear faster than through the process of intergenerational substitution if serious changes within the political culture were to occur. If, e.g. the West German political and intellectual elites could account for the legacy of the GDR's history as an integral, though „communist“ part of the all-German history, i.e. their own history as well, then the East German demand for a distinctive collective identity would probably disappear. This, however, cannot occur unilaterally. As part and parcel of a common political culture, the former adherents to authoritarian rule and a monistic world view would have to build up a reputation which respects the values of pluralism and political liberalism--a process that is unlikely as well to be completed in the short run.

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