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GERMAN UNIFICATION: AN ERA OF  
ECONOMIC, POLITICAL, AND SOCIAL CHANGE

by

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*Abstract*

German unification was a watershed event in post-Cold War European history. As the two halves of the great country joined, the contrast between a wealthy, democratic West and an economically and politically deprived East altered the sanctity of German stability. Three major areas illustrate the magnitude of changes. First, the disintegration of the Soviet Union and the communist government of East Germany left a legacy in the East. Second, profound struggles in the economic, political, and social dimensions continue to task the new government. Third, the German government pursues an aggressive agenda to work the major issues but can still do more to facilitate greater German unity.

## Chapter 1

### Introduction

German unification was one of the most important geopolitical events to occur in European post-war history. A nation once divided joined in unity to become the most powerful and influential nation on the European continent. Unification, however, was not without its price. As the two halves of the country merged, the contrast crescendoed between a wealthy, democratic West Germany and an economically deprived, oppressed East Germany. *Economic, political, and social* interests overlapped as Germany worked to improve the difficult hand it had been dealt.

This essay will examine how these three dimensions were altered by unification. To lay the foundation for an understanding within each area, it will first outline the disintegration of Soviet control which prompted events leading to unification. Next, it will assess the fundamental elements of economic, political, and social integration and the struggles of the German government in dealing with a multitude of problems. Lastly, this paper will consider Germany's outlook in each dimension and offer some suggestions for change. Although not undaunted by the monumental task of unification, it will become clear that the nation's tremendous strength and determination are key factors in its success of this continuing endeavor.

## Chapter 2

### The Road to Unification

The situation of Germany today is historical fallout from the important international events of the 1980s. Fully entrenched in Communism and the rigid Soviet-style economy, East Germany was relatively stagnant compared to the thriving West German structure. The Soviet influence kept modernization, a market economy, and democratic tendencies in check. However, changes occurring late in the decade paved the way for what would eventually be the demise of the East German state. Soviet President Mikhail Gorbachev, with his *glasnost* (openness) and *perestroika* (restructuring) programs, acknowledged the economic decline of the Soviet Union and loosened the reigns on Soviet satellite countries. In September of 1989, Hungary tested the limits of its burgeoning freedom and relaxed border controls to Austria. Almost immediately 25,000 East Germans exiled to the west, many to West German embassies. Significantly, there was no substantive response from the Soviet Union. As people continued to flee, many other East Germans openly protested the government of the German Democratic Republic (GDR), calling for democratic reform. GDR General Secretary Erich Honecker resigned under pressure, and the government relinquished control in the midst of a mass exodus, public dissatisfaction, and demands for democracy. On November 9, 1989, restrictions were lifted for travel between East and West Germany. The Berlin wall no longer served to divide the country.

West Germany opened its arms to the long captive citizens of the East. The euphoria was instant and intense. The Bonn government immediately established a system to accommodate those who wanted to remain. As thousands continued to shift to the West—nearly 350,000 from November through February<sup>1</sup>—they placed tremendous strains upon the social services of West Germany. Housing, jobs, and financial support were in high demand. More importantly, East Germans saw the standard of living those in the West enjoyed—and how bad off they really were. Dissatisfaction with the East German state grew.

Talk of uniting Germany began to flourish. The prospect of unification and its political implications were taken very seriously by NATO, the EC, and the USSR. France and the United Kingdom were especially interested in the effect of a united Germany on each of their countries. The Bush administration politically, yet conditionally, supported it and also pledged assistance in getting the governments of France and Great Britain to concur.

Although German unification had been anticipated for at least two generations, no one expected it to occur with such rapidity. Until 1989, West Germans considered reunification with East Germany a "... disembodied issue of high ideological symbolism".<sup>2</sup> Past polls showed 4 of 5 favored unification, but didn't see it as possible. In 1968, 13% said they could envision it, in 1984 only 5% could, and a mere 3% in 1987.<sup>3</sup> Even after the fall of the Berlin wall a poll of West Germans indicated only 30% could see unification happening in their lifetime.<sup>4</sup>

The Two plus Four unification talks were initiated with the two Germanys and the four allied powers of World War II—the United States, United Kingdom, France, and the

Soviet Union. Key agreements included: territorial issues; non-aggression pledges of a united Germany; renunciation by Germany of the manufacture/ possession/control of nuclear, biological, and chemical weapons; withdrawal of Soviet troops from East Germany; and the stationing of German troops for the future. Germany settled on a two-step unification process—economic and monetary integration followed by political union.

Given the vast contrast in the two states' economies, it became clear to the Bonn government the most difficult task would be financially merging East and West Germany. "Economic issues . . . clearly dominated the immediate agenda of unification for political leaders and public alike. From the beginning, the integration of East Germany into the economy of the West [was] marked by political promises, unanticipated economic realities, and dashed optimism."<sup>5</sup> These issues—either perceived or real—laid the foundation for the economic dilemma Germany faces today.

#### Notes

<sup>1</sup>*Dimensions of German Unification*, ed. Bradley Shingleton, Marian J. Gibbon, and Kathryn S. Mack (Boulder, CO: Westview Press, 1995), 92.

<sup>2</sup>*German Unification: Problems and Prospects*, ed. Gaines Post, Jr. (Claremont, CA: The Keck Center for International and Strategic Studies, 1992), 55.

<sup>3</sup>*Ibid.*

<sup>4</sup>*Ibid.*, 55-56.

<sup>5</sup>Paul B. Stares, ed., *The New Germany and the New Europe* (Washington: The Brookings Institution, 1992), 28.

## Chapter 3

### Economic Turmoil

In the midst of euphoric anticipation of reuniting East and West Germany, many failed to fully grasp the enormity of the economic impact. The very nature of the event—fast, emotional, unforeseen—overshadowed attempts at in-depth financial planning. The lack of any real existing plan was exacerbated by the closed society that existed in East Germany. Few, if any, Westerners were privy to the detailed workings of the East German economy. However, in spite of their significance to the success of unification, economic considerations were secondary to politics. Early in the unification process West German Chancellor Helmut Kohl established the “. . . pattern of choice between political and economic criteria.”<sup>1</sup>

### Politics

The ‘domain of high politics’, over considerations of monetary policy, drove the economic and monetary union of the two Germanys.<sup>2</sup> Right from the start, Kohl and the Bonn government pledged “. . . economic prosperity and equal standards of living as the benchmarks of unification’s success.”<sup>3</sup> Even more important, Kohl worked hard to assure West German citizens that tax increases would not be needed to fund these objectives. This was pivotal in sustaining Kohl’s political support. Counting on the strong economic

base of West Germany, Bonn government officials clearly focused on the popular and political appeal of the endeavor rather than the potentially harsh economic realities. Under pressure from financial experts and the *Bundesbank* to implement a gradual approach to converting the East German *ostmark* to the West German *deutschemark* (DM), the government opted for a more politically palatable option. In early 1990 the government decided on a 1:1 exchange rate for up to 4,000 *ostmark*, and a 2:1 rate for some amounts over that.<sup>4</sup> While politically the right decision, it created dire economic consequences.

On July 1, 1990, West and East Germany joined economic and monetary means in the first stage of the unification process. East Germans immediately flocked to the West and bought up Western goods, ignoring the inferior goods in the East. During the same period, East Germany lost the security of its communist trading bloc, the Council for Mutual Economic Assistance (COMECON), when the Soviet Union and other Eastern European countries experienced serious economic problems while moving toward market economies. With trade hampered and most hard currency going to the West, the East Germany economy quickly stagnated.

Economic and monetary problems intensified with political unification on October 3, 1990. Five new German states—*länder*—were created from the former East Germany. The citizens of these states looked to their new government for the jobs, health care, and social services which would provide them with the same standard of living as those in the west. As the government realized the magnitude of this task, its optimism for financing unification began to fade. With a million citizens unemployed and another million working part-time, Bonn announced in February 1991 a DM46 billion tax increase and a one-year unification surcharge on income and corporate taxes.<sup>5</sup>

## Payments

By mid-1991 the dire economic impact had reached full strength. To shore up the faltering economy in the east, the government was transferring massive amounts of money in the form of subsidies and investments. Between 1990 and 1991, over DM3 billion poured into the eastern states to preserve historic areas, improve rural areas, and start urban housing renovations.<sup>6</sup> In 1991, DM25 billion was spent on retraining and employment programs.<sup>7</sup> In 1992, the government announced a DM56 billion plan for transportation improvements to link western and eastern states; another DM310 million was committed to 462 emergency environmental projects.<sup>8</sup> Despite the growing list of expensive infrastructure and programs desperately needed in the new *länder*, the Bonn government remained strongly committed to rapid improvements

Financial transfers increased from a total of DM45 billion in 1990 to about DM165.5 billion in 1994—most for pensions, unemployment benefits, and social services.<sup>9</sup> In 1992 alone, the DM150 billion transfer amounted to a full 23 percent of the national budget, while production in the east was only DM27 billion.<sup>10</sup> Western German taxpayers—who remembered the promise that unification was not going to cost them—were becoming more resentful as the government announced plans to cut unemployment and welfare payments in the west to help finance the east.<sup>11</sup> Germans in the east—whose early expectations of instantaneous prosperity were dashed by economic reality—were nostalgic for the communist utopia that had never existed.

## Privatization

The difficult economic situation was complicated by radical changes in the new *länder*, moving from a Soviet-style planned economy and dominant state ownership to a market-based one. To deal with the complexity of this transition, in 1989 the Bonn government established an organization to privatize state-owned businesses in the east. The *Treuhandanstalt* (THA) operated by three priorities: privatize whenever possible; restructure eligible companies to privatize later on; and close companies with no competitive potential.<sup>12</sup> By 1990, the THA held 40 percent of the former East German territory and assets valued at over DM600 billion.<sup>13</sup> Originally expected to fund itself with proceeds from sales and transfers, the THA quickly recognized the difficulty in its tasks. Initial enthusiasm waned as prospective buyers found the companies technologically outdated with an average productivity of one-third of western companies.<sup>14</sup>

From September 1990 to March 1991, purchases were further delayed by the complicated issue of compensation for properties lost in eastern Germany. While the West German government had paid for property damaged during the Nazi era, the GDR government paid no compensation for properties taken since its formation in 1949. To resolve this issue, the *Bundestag* passed a law entitling restitution of property confiscated under the GDR.<sup>15</sup> With over two million claims made on factories, farms, apartment buildings, homes, and fields, it took time to resolve ownership before property could be sold. Once legal claims to properties were determined, privatization progressed rapidly.

Compared to similar efforts occurring in other East European countries, the THA was successful in getting privatization going. Within two years the bulk of companies—over 9000—were sold off to private buyers with over 90 percent of the most productive assets

transferred to western German corporations and entrepreneurs.<sup>16</sup> These investors generally bought companies similar to those they already owned, counting on a sales link to former COMECON markets which never materialized. THA's initial objective was to conduct sales quickly, keeping businesses open and people employed. Revenue was not necessarily a prime consideration. This method proved to be deficit inducing: THA debts mounted to an estimated DM60 billion by 1994.<sup>17</sup> These costs will ultimately be absorbed by the German taxpayer as additional unification costs.

Eastern German wage levels were profoundly affected by peoples' initial experience with the *deutschemark* and their newfound purchasing power. As the German Trade Union Federation and member unions expanded into eastern labor organizations, wage equality became the goal. Germans in the east, now with access to expensive western goods, sought equal pay for the same type work. Wages began to climb. By July of 1990, the average wage for an industrial worker in the new *länder* was up by 14 percent—50 percent of western wages—while productivity was only at 29 percent of a western employee.<sup>18</sup> In 1993, wages were up to 70 percent of the western Germany level,<sup>19</sup> but the productivity gap remained. This relatively high labor cost made it difficult to lure foreign investors into eastern Germany. The challenges of righting the wrongs in the east seemingly became greater with each step forward.

#### Notes

<sup>1</sup>Ibid., 19.

<sup>2</sup>Ibid., 70.

<sup>3</sup>Ibid., 28.

<sup>4</sup>Ibid., 68-70.

<sup>5</sup>Ibid., 28.

<sup>6</sup>Alun Jones, *The New Germany* (Chichester, England: J. Wiley & Sons, 1994), 118.

<sup>7</sup>Ibid.

## Notes

<sup>8</sup>Ibid.

<sup>9</sup>Jones, 162 and John Hall & Udo Ludwig, "East Germany's Transitional Economy," *Challenge* 37, no. 5 (September-October 1994): 27.

<sup>10</sup>Jones, 161.

<sup>11</sup>*Dimensions of German Unification*, 92.

<sup>12</sup>Jones, 121.

<sup>13</sup>John Hall & Udo Ludwig, "Creating Germany's Mezzogiorno?" *Challenge* 36, no. 4 (July-August 1993): 41.

<sup>14</sup>Sharon Reier, "Rescue Fantasy," *Financial World* 162, no. 4 (February 16, 1993): 43.

<sup>15</sup>*Dimensions of German Unification*, 11.

<sup>16</sup>Hall and Ludwig, "East Germany's Transitional Economy," 30.

<sup>17</sup>Jones, 126.

<sup>18</sup>*German Unification: Problems and Prospects*, 95.

<sup>19</sup>Reier, 48.

## Chapter 4

### Politics in a United Germany

*Most important of all, unification represents not just a break with the past, but also a breaking open of the past. Coming to the fore in the domestic political debate are the most basic definitions of identity. . . . Who are the Germans and what is their Fatherland? What is their appropriate domain of [political] influence?<sup>1</sup>*

#### Seeking Political Equilibrium

The important answer to the German question is best considered with an understanding of how Germany has changed over the past few years. While economic, social, and security matters have undergone drastic transformations, it was the change in politics—and ideology—which led the change. From the beginning of the new Germany, politics was the major factor. West German politics—*Deutschlandpolitik*—had been guided by its constitution to work toward unification and to act as the unified voice on behalf of all Germans. However, even after the fall of the Berlin Wall in November 1989, unification was not first on the government's agenda. East Germany's government, then led by reform-minded Hans Modrow, was still dominated by the communist party (SED). The SED, in an attempt to restore calm to an increasingly agitated and vocal population, tried to find a political middle ground between socialism and capitalism. It resisted efforts to transition to a market economy and, in an unpopular move, tried to reinstate the hated

East German secret police—*Stasi*—as the Office of National Security. As a result, East German citizens occupied Stasi offices in protest. “The SED . . . lost the last traces of its legitimacy and credibility as a vehicle of reform.”<sup>2</sup>

The prospect of free elections in East Germany caused shifting among political parties. The former communist party SED, renamed the Party of Democratic Socialism (PDS), struggled in vain against growing civil-rights groups whose cries for unification replaced the slogan “We are the people” with “We are one people.”<sup>3</sup> The Social Democratic Party (SPD) also jockeyed for a prominent position, but had little appeal to the masses in its proposal for a more cautious approach to unification and warnings of an economic slump. It was Kohl and his CDU party that delivered the message citizens in the east wanted to hear. With East Germany in economic ruins and thousands of citizens poised on the border ready to move over to the west, Kohl realized the political necessity of reunification—sooner, rather than later. He clearly dominated the political scene with pledges of rapid unification and prosperity. Elections in March of 1990 strongly confirmed the desires of the East German people, giving Kohl and his conservative alliance a victory with a 47.79% share of the vote.<sup>4</sup>

The political unification that followed in October reinforced trust in the CDU’s promise for a “. . . blooming landscape of prosperity and social justice” in the east.<sup>5</sup> State assembly elections in four of the five new *länder* established CDU-led center-right governments, giving the CDU-Free Democratic Party (FDP) a majority in the *Bundesrat*, which the SPD had controlled since May of 1990.<sup>6</sup> *Bundestag* elections throughout Germany in December of 1990 further cemented the democratic stronghold. The CDU coalition won 398 of 662 seats, the SPD received 239, the PDS gained 17, and the

Alliance '90 (the party including the Greens) won only 8.<sup>7</sup> Kohl reigned as the first chancellor elected in an all-democratic German vote.

### **A Break from Tradition**

The immediate need of the German government was to establish cohesive, accepted policies to avert domestic and international political downfall. Kohl had to address his actions within the context of three major areas: policies acceptable to both the east and west whose socioeconomic values were different and sometimes in conflict; standards of equity for different economic actions and productivity; and a means to prevent cleavages in the newly joined society.<sup>8</sup> There was little time to act: political stability was quickly challenged by the increasing imperative of economic adjustment. As costs within the east mounted, the Kohl government gambled by levying new taxes in 1991 on those in the west. Although under the guise of needing to pay a share of Gulf War expenses and to help Moscow with the cost of pulling troops out of eastern Germany, many saw the taxes as a thinly veiled retraction of Kohl's original pledge of no unification taxes. This became known as the "tax lie" which set the stage for the chancellor's shaky political position.

Growing dissatisfaction with the CDU and an unwillingness to maintain a staunch allegiance to the group prompted some to break ranks with traditional disciplined party politics. Kohl experienced a personal political blow in 1991 when his party lost governing seats in his home area of Rhineland-Palatinate. The Berlin-Bonn debate over where the German capital would be was settled by smaller parties since the CDU and SPD were divided on the issue. In 1992, the Bonn government was aided by party splits when the Brandenburg delegation opposed the SPD and voted for an increase in value-added tax.

These political indicators pointed to the difference in issues as they applied to various regions. As elected officials frequently found their states' needs differing from the party's, many believed their interests were better served by breaking with the party and seeking popular support. With the power of a voice in the government, citizens in the east were sure to alter the characteristically even keel of German politics.

### Coalition Future

Unification brought with it a not so subtle change in the German party system. Without the stability and semblance of equity that generally existed just within the west, there are now vastly different economically classes of people that seek political attention. The evolution of the party system is affected "... by the process of interest group formation as membership in trade unions and business associations shape political preferences and loyalties."<sup>9</sup> The new Germany—adapting to fundamental changes in its party system—will have to determine how much it will focus externally while it deals with its internal issues. Without a unified position among the parties, important issues including security matters, the European Union (EU), and North Atlantic Treaty Organization

### Notes

<sup>1</sup>Catherine Kelleher and Cathleen Fisher, "Germany," *The Defense Policies of Nations*, 3rd ed., ed. Douglas J. Murray & Paul R. Viotti (Baltimore: John Hopkins University Press, 1994), 161.

<sup>2</sup>Stares, 17.

<sup>3</sup>Ibid., 59.

<sup>4</sup>Jones, 71.

<sup>5</sup>Stephen Kinzer, "A Climate for Demagogues," *Atlantic Monthly* 273, no. 2 (February 1994): 22.

<sup>6</sup>Stares, 19.

## Notes

<sup>7</sup>Ibid.

<sup>8</sup>Ibid., 33.

<sup>9</sup>Ibid., 65.

## Chapter 5

### Unification On Society

Since 1990, Germany has experienced threatened waves of xenophobia and violence. Some consider it to be a social problem of such magnitude that it decisively contributes “. . . to a crisis regarding political legitimacy in united Germany.”<sup>1</sup> Part of the social unrest is attributed to Germany’s immigration policy. In the 1980’s, West Germany generously welcomed those suffering from political persecution, making it an attractive destination for East Europeans. Over 636,000 people from areas including eastern Europe and the Soviet Union sought asylum there between 1990 and 1992.<sup>2</sup> Although legislation passed in July of 1990 stemmed the flow of asylum seekers, Germany continued to accept ethnic Germans as citizens. Between the end of 1989 and 1991, over one million people entered Germany as *Aussiedler*, with 92 percent settling in the west.<sup>3</sup> The strain on the population intensified as housing, jobs, and social services focused on dealing with the huge influx of people. Citizens who had long lived in the west realized a potentially negative effect on their standard of living, while newly arrived Germans and refugees felt increasing frustrated at the difficulty of transition. The reaction was intense.

## The Rise of Violence

“At the start of the 1990s, public discussion in united Germany [was] marked by fear of a growing, aggressive xenophobia, acceptance of violence against foreigners, and, correspondingly, a growing number of perpetrators and victims.”<sup>4</sup> Following unification, a large segment of young adults from the radical right, many out of work or unable to find adequate housing, ignited violent movement. Beginning in the east and spreading to the west, neo-Nazi members hunted down and attacked foreigners, proclaiming in their slogan “Germany for the Germans.” Attacks first on foreigners—especially Turkish—then spread to arson attacks on shelters and homes of ethnic Germans from eastern Europe. Two areas which suffered particularly violent attacks—Hoyerswerda in 1991 and Rostock-Lichtenhagen in 1992—gave first-time recognition of the problem to the international community.<sup>5</sup>

The expansion of the attacks to include newly immigrated ethnic Germans was significant in the realm of the German social situation. Historically, as the preferred country of European integration, Germany had always had immigrants. However, with the addition of ethnic Germans from eastern Europe a new “class” of citizen emerged in the west. Some were unequipped to deal with this aberration. The relations between the groups were partially strained by perceptions and resent: the *Ossies* with social envy against the *Wessies* with all their material goods; those from the west who believed their sacrifices were unappreciated; and the long-present foreigners, who saw the *Ossies* with increasing privileges. There emerged a joint opposition between western Germans and domestic foreigners against “foreign” Germans from the east.

## Integrating Diversity

Many debate the source of this new wave of brutalities and hatred toward minorities. Some believe “an important motive undoubtedly lies in the continued disorientation of the population about social problems relating to immigration and integration.”<sup>6</sup> This is not too difficult to believe when one considers the rapid and massive changes German citizens have undergone since the late 1980’s. This ‘collective mental overload’ and disorientation crisis created by a rapidly changing political culture have affected *Wessies* and *Ossies* alike.<sup>7</sup> Westerners, as they deal with the fundamental desire to help and integrate their eastern brethren while retaining the stability of their country; but more profoundly easterners, who have to make the biggest psychological adjustments. Easterners who fled to the west at the end of the 1980’s are still adjusting to culture shock at the magnitude of the differences in life-styles and thinking. Easterners who remained in the new *länder*, however, are having to adjust to life in a “foreign” country—ne with an abstrusely different social, economical, political, and ideological environment.

“The dominance of West German institutions, people, and resources has brought about a deep demoralization among the citizens of former East Germany.”<sup>8</sup> A study by German Baptists reveals the fundamental reason is the issue of material possessions, which has driven a deep wedge between Germans from the east and west.<sup>9</sup> German author Christa Wolf believes easterners, who grew up in the socialist environment of ‘equality’, never accepted it as the will of God to create a society of ‘super-rich’ people at one end and ‘ever more destitute’ at the other.<sup>10</sup> The contrast is strikingly apparent to members of the German Baptist church. In the west, the church’s assets grew over the years as members of the wealthy middle-class added to its possessions. Eastern German Baptists,

who have owned little more than their own dwelling—if that—feel inferior to their western counterparts.

The west's focus on possessions is perceived by other Christian orders as the root of social cleavage within the nation. Berlin's outgoing Protestant bishop publicly objected to the state's decision to return eastern property to previous western owners, saying it would "... re-infranchise the old propertied classes . . . over relaxed, interpersonal relations."<sup>11</sup> Some believe the cause lies with the easterners themselves—Christians who haven't enriched their lives with the freedoms of western democracy, but instead, with access to drugs, pornography, crime, high divorce rates, and consumption garbage.<sup>12</sup> Protestant leaders are further dismayed at the growing popularity of the *Jugendweihe*, a youth-focused celebration and humanistic alternative to Christian confirmation. This ritual was widely encouraged by the Communist state to combat Christianity. In 1994, 9800 youths in eastern Berlin—over 50 percent of those residing there—participated in the ceremony, up from 1500 in 1993.<sup>13</sup> The same year, only 1000 youths anticipated being confirmed.<sup>14</sup>

## Reactions

The government's response to these social struggles often reflects its own struggle to appease different segments of society. Chancellor Kohl, although widely popular and credited with many successes of unification, is a prime target for criticism. Some believe the economics of his social programs feeds discontent, claiming he doesn't take money equivalently from all segments of society—workers, employees, white-collar professionals, and government. As an example, his critics cite the \$12 billion cut from social services in 1994 while continuing to fund a multinational jet fighter project.<sup>15</sup> Kohl's response to the

spreading neo-Nazi threat is also subject to public interpretation. Although he has strongly denounced the violence, he distanced himself from the victims in what some see as a political move. By not identifying himself with victims like Turks and gypsies—known in German as *sinti* and *roma*—he holds conservative voters in the CDU from fleeing to growing far-right parties.<sup>16</sup>

Germany's social problems appear to be an unfortunate consequence of the unification miracle. While not yet insurmountable, they merit considerable attention by members of all sectors—government, religious, foreigners, and citizens. The fact that there is dialog within the population is a promising indicator. Discussion—even criticism—from those who perceive injustice or frustration at a minimum serves to bring the issues out into the open. Some easterners are still uncomfortable with democratic 'frankness' and don't fully embrace how constructive the solicitation of public sentiment can be. Among neo-Nazis in the east, many are not true believers in Nazi ideology but presume the Bonn government doesn't care about widespread unemployment—perhaps they just don't know how to get the message across otherwise. Conversely, westerners disillusioned by the effects of unification seek their own form of support by reacting to those closest to them who appear to be responsible for the unwelcome changes. In both situations, societal issues are being addressed as a united Germany moves.

#### Notes

<sup>1</sup>Klaus J. Bade, "Immigration and Social Peace in United Germany," *Daedalus* 123, no. 1 (Winter 1994): 88.

<sup>2</sup>Jones, 193.

<sup>3</sup>*Ibid.*, 188.

<sup>4</sup>Bade, 85.

<sup>5</sup>*Ibid.*, 86.

<sup>6</sup>*Ibid.*, 87.

## Notes

<sup>7</sup>Ibid.

<sup>8</sup>Bill Yoder, "One-Way Street? Germans find reconciliation is harder than reunification," *Christianity Today* 38, no. 9 (August 15, 1994): 58.

<sup>9</sup>Ibid.

<sup>10</sup>Ibid.

<sup>11</sup>Ibid.

<sup>12</sup>Ibid.

<sup>13</sup>Ibid.

<sup>14</sup>Ibid.

<sup>15</sup>Kinzer, 30.

<sup>16</sup>Ibid., 32.

## Chapter 6

### Outlook for the Future

The responsibilities of the Bonn government to “fix” the east are like none other faced by a modern, industrialized country in recent time. Having united with a part of its nation lost to an adversary over 40 years ago, it is valiantly attempting to rebuild the structure and economy, as well as the faith of its people long held captive behind borders. With no precedent to follow, the government is pursuing an aggressive agenda while trying to retain the confidence of all its citizens.

Along with changes in the shape of German politics, so are the faces that come to the bargaining table. “The new generation, which came of age after World War II, is far less likely to fear discussions of German interests and will not hesitate to stand up to foreign opposition.”<sup>1</sup> Without the baggage of history, these new players are more apt to exercise the might of the state in shaping the new Europe. Volker Rühle of the CDU and Klaus Kinkel of the FDP are early prototypes.<sup>2</sup> They seek to make the east like the west and surround the nation with like-oriented countries. This objective involves getting central European countries into the EU and NATO, and puts Germany in a favorable geopolitical position.

Perhaps the most difficult element of all problems facing Germany are the perceptions of its own people. Before unification, East Germany was one of the ten largest industrial

producers; its per-capita output ranked higher than Great Britain's, and its health care, apprentice, and education systems were satisfactory.<sup>3</sup> The people of East Germany generally accepted what the social and welfare system provided them—jobs, homes, utilities, child care, and enough food to sustain themselves. By COMECON standards, they were fairly well off. On the other hand, the people of West Germany enjoyed the comforts of a modern, industrialized nation. Productivity, income, and standards of living were high. West Germans benefited from some of the most generous labor laws, including a 38.3-hour workweek, 30 vacation days, 12 holidays, and 20 sick days per year.<sup>4</sup> Their pay scales were among the highest in the world, second only to those of Norway.<sup>5</sup> While neither side of the nation really knew how the other half existed, both were reasonably satisfied.

Unification brought more than the need for strategic political choices. It has resulted in a new way for German citizens to look at where they are and where they want—and expect—to be in the future. No longer are those in the new *länder* satisfied with simply having a job and the minimum fulfillment of food, convenience, and education needs. Their new window—or exodus—to the west created a new and much higher minimum standard of living and expectations for political involvement. Many believe they must make up for 40 years 'lost' and have turned to the government to make it happen. Clearly, the German government acknowledges these feelings and has made some tough choices toward this end. However, it appears to be caught in the middle by those in the west who also have a changed view about the future. Some western Germans, who have been largely funding the rise in standards of those in the east, fear the stability, financial security, and economic future of their nation are jeopardized by unification. The outlook

for united Germany depends on how effectively the population deals with this divisive predicament.

The satisfactory fulfillment of these differing expectations cannot occur without some degree of change. Economic, political, and social problems cannot be completely solved in the near term, but actions can be taken by both government and the public to facilitate further progress and lead the nation closer to a successful recovery.

“With no signs of self-generating economic recovery in eastern Germany, Bonn [must] confront the prospect of multibillion German-mark transfers for years to come.”<sup>6</sup> They can count on financial transfers to the east of at least DM150 billion per year for a decade or longer.<sup>7</sup> These transfers can threaten their leadership in the international market—as well as perpetuate more social unrest—if not funneled into growth for the eastern *länder*. Trade is increasingly intra-German, with movement of assets from the west to the east. While this provides goods for the eastern states, it does not promote extensive industrial productivity there. Part of this problem stems from the significant number of eastern companies that were purchased by western corporations, with real profits from any production being earned in the western states. Greater ownership by managers and workers in the east may induce a growth of businesses which can enhance the productivity of the east.

The prospect also exists for more foreign capital investment in Germany, potentially enhancing the country’s economic posture. Following an initial 1989 surge of nearly DM15 billion, levels dropped off largely due to high taxes, expensive labor, and big energy and environmental costs.<sup>8</sup> While the German government continues to encourage foreign investment in the east, it must work to placate western industries who resist competition.

One of the largest investments in eastern Germany involved a DM1.5 billion deal with a multinational utilities consortium who struggled for 18 months against the west's powerful top three utilities providers.<sup>9</sup> The successful venture is likely to lead future investors into what many believe will be the top industrial region for the next few decades—eastern Germany.

Other prospects for stability involve modifying attitudes toward labor. Many believe “the trade union’s influence is unfortunately based on the wrong assumption of equal pay within an industrial sector.”<sup>10</sup> The country was ill prepared to raise wages in the east while productivity lagged far behind that of the west. The relatively sharp rise in salaries unrealistically raised expectations, burdened the government with higher costs in THA companies, and discouraged foreign investors from purchasing businesses. One important step should be an agreement among social groups to adjust their demands to the economy’s real capacity. Both east and west must accept concessions to bring wages and benefits closer to what reality can sustain. Even further, they must examine the impacts of their economical policies on the psyche of people from both the east and the west to determine how these policies are dividing/uniting socially.

The molding of the new German politics will continue in the face of post-unification elections. Much of it depends on the direction of Chancellor Kohl and his party. With Kohl’s strong force heading the government and the CDU, there is little chance of less conservative leadership or one that would take the country on a different course. In spite of the criticism Kohl and the party have suffered as a result of policy problems like large public deficits and restrictive policies on citizenship and immigration, there appears to be no strong enough opposition. While the Social Democrats, Greens, and ex-communists

attempt to penetrate the seat of federal power, they are not united enough in their convictions to create a coherent coalition. The government will therefore pursue its established course of recovery. This course will necessitate an outward look at the stability of Europe, the EU, and NATO and their impact on Germany's prosperity.

An overall hard look at transfers, investments, wages, and the political and social systems can result in adjustments which help ease the difficulties of unification. With a public sector debt of \$1.3 trillion in 1994, Germany can no longer afford to sacrifice "... potential growth in productivity ... in favor of an increase in the standard of living."<sup>11</sup> Unification brought challenges, but the government and people, in harmony, can overcome.

#### Notes

<sup>1</sup>Gary L. Geipel, "Germany: Urgent Pressures, Quiet Change," *Current History* 93, no. 586 (November 1994): 361.

<sup>2</sup>Ibid.

<sup>3</sup>Hall and Ludwig, "Creating Germany's Mezzogiorno?" 39.

<sup>4</sup>Kurt J. Lauk, "Germany at the Crossroads: On the Efficiency of the German Economy," *Daedalus* 123, no.1 (Winter 1994): 73.

<sup>5</sup>"Vorsprung durch Panik," *The Economist* 322, no. 7746 (February 15, 1992): 53.

<sup>6</sup>Christopher Parkes, "The Economy Feels the Pinch," *World Press Review*, 40, no. 4 (April 1993): 10.

<sup>7</sup>Reier, 42.

<sup>8</sup>"Vorsprung durch Panik," 53.

<sup>9</sup>"Keen as Mud," *The Economist* 328, no. 7826 (August 28, 1993): 63.

<sup>10</sup>Ibid., 48.

<sup>11</sup>Lauk, 78.

## **Chapter 7**

### **Conclusion**

United Germany is living one of the historic opportunities of the century. The people of both geographic sectors are building the chapters of history which will describe how a strong nation corrected some of the failures of communism. Although a beneficiary of the Cold War, the joining of these peoples clearly demonstrates the magnitude of change needed to build a healthy economy and cohesive society following 45 years of cultural and ideological difference.

Political unity transcended the extraordinary challenges of economic union. The Bonn government, trying to appease the needs of both eastern and western states, created a set of expectations regarding the cost of unification that could not be met. As the condition of infrastructure, transportation systems, social services, and the environment became known, the size of financial support needed in the east multiplied. With tax increases in the west and delays of expected standard of living increases in the east, citizens realized the true costs. Efforts at privatizing industry in the east were successful, but failed to fully cushion the economic blow. Social problems, partly from the abrupt adjustments the population underwent, were exacerbated by the disparity in economic position between the west and east. Violence and xenophobia outbreaks shattered the

relative harmony of pre-unified Germany as natives and foreigners dealt with the influx of Germans and immigrants from East Europe.

Political parties vied for position within the larger government. Unlike the social and economic consistency of the west, united Germany now had extremely diverse and different states from which came elected officials with different needs. The strong party system gave way to more interest groups and the need for coalition building. Still, Chancellor Kohl and his CDU party remain in the forefront.

Yet, the German people remain industrious and resourceful. Their exceptional qualities allowed them to develop one of the strongest nations in Europe, and these same qualities will get them through the challenges of unification. However, their efforts must be focused on what revisions are necessary. The end of the twentieth century—with its unprecedented changes—brought with it a need to re-examine fundamental issues regarding distribution of wealth and ownership throughout the nation, labor practices, social benefits, and the government philosophy that sets these policies. There certainly does not exist a magic formula to follow, but the people together need to reassess and determine if their current thinking matches with the realities of today. Until economic, political, and social stability is assured, these issues should be a main area of concern for the new Germany.

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