Globalization in One Country: East Germany Between Moral Economy and Political Economy
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Abstract and Keywords
Examines one effect of globalization on labour in the case of unified Germany: the rise of a new particularism. A number of scholars have started to speak of the new divide between eastern and western Germany in terms of ethnicity. As useful as this analogy is, however, it has the disadvantage of being just that—an analogy. Seen differently, the source of the new cultural divide in Germany is the conflict between two very different, historically shaped moral economies. Despite Stalinist misdevelopment, the economy of the communist East, through everyday labour practices, inculcated a set of egalitarian economic values. For political reasons, the unification strategy after 1991 did not challenge these values but accommodated them. Such a strategy thus guaranteed the persistence and even growth of regional identities in post-unification Germany. The new particularism in other locales, therefore, may stem from the clash not only of ‘civilizations’ (Huntington), but also, rather more prosaically, from the conflict between dominant labour and leisure practices, of notions of what is properly commodified and what is best put outside of markets—practices that are being challenged by global markets, and the diffusion of tastes, values, and institutions.

Keywords: economic values, egalitarianism, German reunification, Germany, globalization, industrial relations, moral economy, regional identity

The revolutions of 1989–91 propelled the states of Central and East Europe back into the international capitalist economy from which they had been cut off for half a century or more. Suddenly, the economies of the region were exposed to the full impact of international market forces, the rapid spread of tastes and values across frontiers, and the influence of international regimes and institutions—in short, the force of what political scientists have recently dubbed ‘globalization’. Nowhere is this more true than in East Germany, a country that was absorbed into West Germany after 1990 just as the latter was about to enter its own globalization crisis. Post-socialist transformation and rapid reunification have brought home the force of global market pressures to most East German workers in an especially acute form. While other formerly communist states retained national sovereignty, and could thus regulate their re-entry into the global market through tariffs, taxes, and exchange rate policy, what is now eastern Germany re-entered the global market place overnight without any of these protections. It is thus not a unique case that defies comparison, but it is an extreme case that can be useful for illustrating the effects of the new globalism.
One effect, in particular, that I want to highlight in this essay is a much-discussed but little-studied feature of globalization: the tendency for the new universalism of the global market to produce new kinds of ethnic and regional particularism. Political theorists and social scientists have already speculated on the strange simultaneity of globalization and nationalism, of universalism and particularism in the present era, put most poignantly by Benjamin Barber as 'Jihad vs. McWorld'. What remains unclear, however, is the causal relationship between the two that generate particularistic identities from universalist challenges.

What I want to argue is that the new cultural divide in Germany between easterners and westerners, one that appears to be deepening, is an illustration of the new globalism and particularism at work. Because Germans, eastern and western, share a common ethnicity, the politics of post-unification provide a laboratory of sorts for exploring the dynamics of globalization and particularism in the post-cold war world that allows us, in effect, to hold ethnicity constant. To anticipate the argument that follows: the ironic resurgence of an eastern German identity is the result of global market forces confronting the work and leisure habits of a society that was systematically cut off from the international division of labor for forty years. The new cultural divide in Germany is the product of two very different moral economies confronting each other. One implication of this analysis is that the new particularism in other locales may stem from the clash not only of ‘civilizations’, but, rather more prosaically, from the conflict between dominant labor and leisure practices, and between notions of what is properly commodified and what is best put outside of the market. These practices are being challenged by global markets and the diffusion to the East of new tastes, values, and institutions.

Moral Economy, Markets, and Particularism

One way of thinking about the cultural divide in Germany is in terms of ethnicity. The language of cultural marker and stereotypical social exchange that litters the writing on ethnicity has begun to creep into the analytical discourse on Germany. Such a characterization is indeed tempting. Any number of statistical indicators could be used to support such an analysis. Consider, for example, just one: marriages. In Berlin during 1995 there were 16,383 registered marriages. Of this number only 4% were ‘intermarriages’ between East and West Berliners. In the same period Berliners married non-Germans at almost eight times this rate. This snapshot statistic suggests that well after formal unification East and West Germans continued to interact as ‘foreign’ groups. As useful, however, as the ethnic analogy may be for understanding the character of cultural conflict, it has the disadvantage in the German case of being just an analogy. The cultural divide in Germany may be like ethnic conflict, but it is not ethnic conflict.
What is it then? It makes little sense to argue that there is something immutably different between East and West Germans. Such essentialist rhetoric is of little use to the social scientist, if for no other reason than the fact that identities change over time, sometimes rapidly, sometimes slowly, but they do change. I propose to explain how forty years of institutional separation created a very different moral economy in the East from the West, (p. 235) and how this eastern moral economy is beginning to change the landscape of politics in Germany as a whole.

A word on moral economy is in order. The literature on this subject is now so vast as to constitute a subindustry within the social sciences. Although it is highly diverse in its claims, the notion of moral economy can be boiled down to a few simple propositions. It maintains that economic man is a historically contingent phenomenon and at best an ideal type. People tend to make tradeoffs between goods only up to a certain point; thereafter, some things are not ‘for sale’. For moral economists, most people have a fundamental sense of what is just and fair, and this sense forms their ‘bottom line’ beyond which exchange behavior will either not be engaged in or, when engaged in, it will be experienced as a moral violation. Furthermore, people will generally tolerate a social order only so long as an implicit social contract which lays down the bottom line of exchange is not violated. Of course, what this bottom line is, hence the nature of the moral economy, will differ from case to case. It therefore makes sense to speak of different moral economies in different societies. Interest remains an important category for moral economists but how interests are formed, the ultimate content of interests, and conditions under which interests become politically salient, is directly mediated by historical experience and cultural milieu.

A number of observable implications of this highly abstract principle can be discerned. Let me concentrate on just one: reactions to commodification. Since Karl Polanyi’s work, we know that eras of commodification of land, capital, and labor are among the culturally most shocking and politically most volatile because, even though markets rapidly destroy old structures and norms, the terms of new implicit social contract are slow to be worked out. Although Polanyi casts the response to the commodification of the British economy in the eighteenth, nineteenth, and twentieth centuries in a kind of mushy, reified functionalism—of ‘society protecting itself’ through poverty laws, trade tariffs, welfare states, and currency debasements—that we may no longer find appealing, subsequent authors have easily recast his thought in terms of the ways in which received notions of ‘fairness’ and ‘economic justice’ shape interests in rapidly commodifying contexts. Curiously, social scientists have yet to apply these categories to postcommunist East Europe.

Yet nothing would seem to be more obvious, especially for East Germany. More than any other population in formerly communist East Europe, East Germans have confronted
a sudden and almost complete commodification of their economy. While most analysts of post-communism have concentrated on the Leninist legacies and the barriers they pose to the successful construction of political democracy, very few have inquired or taken seriously the (p. 236) cultural legacy of communist economics as opposed to politics. Few scholars have discussed the ways in which these economic legacies have contributed to the creation of new post-communist identities, precisely because the blatant economic inefficiencies of communism had led to its collapse in the first place.

Communism’s collapse, however, should not dull our sense for how strongly Leninist economic institutions influenced not only social structures but also fundamental attitudes on issues of economic inequality, exchange relationships, employment, management, and even political participation. Neoliberal economics, with its assumption of instantaneous adjustment at both the individual and institutional level to altered incentives, may have kept us from appreciating this. At a material level, the assumption of instantaneous adjustment to new ‘incentives’ may be more or less true but at a cultural level it most certainly is not. The idea that such fundamental areas of human life as housing, schooling, and day care, as well as food and other staples, should be subject to cost–benefit calculations and the ups and downs of the market does not sit well with most East Germans, regardless of political orientation. Somehow the market, understood in this sense, offends their sensibilities even as they participate in it, understand that there is no practical alternative to it, and are prepared to do precious little to change it. 7 What might be described as an egalitarian moral economy of communist society appears to have persisted well into the capitalist transition.

Survey research on popular attitudes toward capitalist patterns of social stratification in post-communist societies has yielded contradictory results. In two papers using a telephone survey, written shortly after communism’s collapse, Robert Shiller, Maxim Boycko, and Vladimir Korobov sought to show that attitudes toward equality and inequality across nations were quite similar and, remarkably, Russian and US attitudes were almost identical on issues of stratification and income distribution. 8 The assumption and conclusion of these studies was that communism did not really alter attitudes to commodification and equality, or to the extent that it did, such attitudes would change rapidly under a new incentive structure. Although these issues continue to be hotly debated in the scholarly community, it was only natural that East and West Germany became laboratory settings for similar research designs. The two Germanys seem to present the perfect control cases for the effects of immersion in different institutional orders on basic economic values in, what were before 1945, identical political cultures. Robert Rohrschneider, in several painstakingly researched articles on this topic, has come to the opposite conclusions of Shiller, Boycko, and Korobov. Using representatives from the (p. 237) Berlin parliament as respondents in face to face interviews, Rohrschneider consistently finds that regardless of party affiliation,
respondents from East Berlin consistently support more egalitarian outcomes, greater governmental control over and intervention in the economy, and advocate the value of ‘solidarity’ more frequently than their West Berlin counterparts.  

The unification strategy has accommodated these differences in basic economic orientations. Unification with the West has permitted a special sort of post-communist economic policy in eastern Germany. It is at once both a shock therapeutic and a moral economic approach. On the one hand, more than any other post-communist country or region, eastern German industries and workers have been subject to the direct pressures of global economic competition, the results of which are discussed in greater detail below. On the other hand, unlike other post-communist countries, social stratification and income inequalities in eastern Germany have remained relatively stable since 1991. Comparing eastern Germany and Hungary, for example, Bruce Headly, Rudolf Andorka, and Peter Krause, using household panel data, found that after the revolution of 1989 income inequality increased very rapidly in Hungary, quickly surpassing that of West Germany. In East Germany, by contrast, ‘net income inequality is almost unchanged since communist times and is much below West German levels’. Most surprising is that at the height of the unification shock, from March 1991 to March 1992, as measured by the German panel survey, there was no increase in inequality at all. The narrow distribution of net incomes in East Germany is a product primarily of federal taxes, transfers, and subsidies. Although others have shown that inequality is slowly increasing in East Germany, the influence of political and social considerations is far greater in East Germany than in Hungary, Russia, or probably any other country in formerly communist East Europe. 

This peculiar strategy was not merely the result of West Germany's capacity to underwrite a simultaneous market and welfare policy in the East. It also corresponded to the interests and attitudes of the main players on the ground during unification. The most commonly identified interest groups in determining the unification strategy of high wages and low inequality were the West German trade unions. After quickly colonizing the eastern German industrial landscape, the German trade unions lobbied successfully to move up eastern German wages faster than productivity in the hope of preventing wage competition from driving down wages in the West—wages that were among the highest in the world. For their part, the leading politicians in what at the time of unification was the ruling party in Germany, the Christian Democratic Union (CDU), had no interest in staving off this trade union offensive. Nor did it express any interest in challenging East German conceptions of social justice. Such challenges might merely have created a solid bloc of potential Social Democratic (SPD) voters in the East by permitting social inequality to increase rapidly after 1991. By accommodating rather than attacking the prevailing moral economy of the East, the strategy of unification has served to perpetuate rather than overcome the cultural divide between East and West.
In the next section, I explain how this came to be. This requires an exploration of the origins of differing conceptions of economic and social justice in the East and the West in the post–World War II era. Because the story of the West is one that has been told before and, by now, is very well documented, I concentrate on the East, using the West only for contrasts. Explaining the current cultural divide, however, also necessitates a deeper enquiry into the origins of the unification strategy and its impact on East and West Germans. The next two portions of the chapter take on these tasks. The tentative conclusion is that while the continued cultural divide in German will not lead to the creation of two states, it will, as cultural divides have in other contexts, change the shape of national politics for good. The politics of unification mean that there is no going back to the old Federal Republic.

East German Workers and Sovietization: A Twofold *Stunde Null* (Zero Hour)

Memoirs and archives have revealed how difficult and uncertain was the creation of the West German social market economy during the 1950s. It was by no means certain that West German public opinion would tolerate what appeared at the time to be a protracted period of hardship after the 1948 currency reform that ultimately put the country on the path to self-sustained economic growth. It is now easily forgotten how poor most West Germans were in the late 1940s and early 1950s, how little they traveled, and how little they consumed. Consider, for example, a typical newspaper report in 1947 on the physical health of Berlin workers.

> We came to the conclusion that the enterprise youth is not gaining but losing weight and that the overwhelming portion of young people are considerably underweight. One of the most shocking cases recently is that of Liselotte W., sixteen-and-half years old, who works in Tempelhof. She is 1.5 meters tall and weighs 26 kilos. Another youth from the same district is 1.69 meters tall and weighs 40 kilos. A fifteen-year-old is 1.38 meters tall and weighs 32 kilos.

(p. 239) As we now know, West Germany during the 1950s succeeded in transforming not only most people's fundamental political values, but also altered conceptions of social justice that were prevalent in the first post-war years to allow for a market economy to develop. In the years immediately following unification in 1991, many western Germans looked back to the 1940s and 1950s as a model for repetition in the East: like western Germans, eastern Germans could and would eventually make their way to the economic promised land. If the West Germans had built a market economy from scratch in 1945, so too could the East Germans in 1991.
Forgotten in all of this is that the East Germans had already started from scratch once before in this century, in 1945, and were being asked to start from scratch once again. The East German Stunde Null was if anything even more trying than the one experienced in the West. The Soviet occupation authorities behaved atrociously by any standard one might imagine. In the economy, industrial plant that was not dismantled as reparations for shipment to the Soviet Union, where a large part of it simply rotted on the rail spurs, was used as a source for reparations from running production. German labor, a highly skilled commodity, was probably regarded as one of the greatest trophies of the war.

But whatever the Soviets' hopes for the traditional German virtues of hard work and discipline in their own zone of occupation, the orientations and behavior of East Germans quickly changed under the impact of the difficult post-war conditions and Soviet labor practices. This is not to say that seventy years of German working-class culture could be wiped out overnight by 'sovietization'. It could not. Indeed, significant aspects of this culture were not at all incompatible with Soviet labor practices. Well into 1947, for example, the extensive system of vocational training developed during the Kaiserreich and extended into the Nazi period continued to operate, utilizing many of the principles associated with the 'company loyalty' school developed in the 1920s and 1930s by the conservative industrial pedagogue Carl Arnhold.

Sovietization, however, did change things, albeit not in a simplistic way. The history of work in postwar East Germany is less a story of implementing a master plan for sovietization than it is of crisis management. Of course, as in every country of eastern Europe, the Soviet military authorities precluded the development in East Germany of independent working-class organizations, especially after 1947. But suppressing working-class organizations could not begin to solve all the problems of labor motivation and productivity. Inducing East Germans to work set off a bitter conflict over wages and piece rates. The resolution of this conflict within the confines of the command economy created a new kind of German worker, and working class, with different habits, expectations, and definitions of what is just and proper, with a different moral economy than that of its predecessor or what was beginning to take shape in the West.

As in the West, one finds in East Germany in the late 1940s and early 1950s moving reports in the newspapers of the day of severe malnourishment among young workers. The line between survival and starvation was one easily crossed. The collapse of the financial system, coupled with shortages in every sector of the economy under the weight of reparations payments, rendered monetary wages a weak instrument for tying labor to the workplace. With almost nothing to buy, it made little sense to work for money. Where money did matter, if one had a lot of it, was on the black market. Most
East Germans spent several hours per day in the black market and several days each month roaming the countryside in search of food. Initially, then, it was not so much a matter of getting East Germans to work as they did before, but rather of inducing them to show up for work at all. In the years following the war, absenteeism remained high and labor discipline lax. Those who arrived at the factory gates often did so on empty stomachs or severely malnourished.

Of necessity, the economic ethos in this society was one that is strangely reminiscent of James Scott’s peasant ‘in water up to his neck’. The prevailing ethos was egalitarian, defensive, even cooperative, and inclined toward survival rather than the maximization of gain. The institutional expression of this ethic was the spontaneously formed enterprise council, which, with Soviet toleration, coordinated production and distributed equally to their employees a portion of production to trade against what little food and consumer goods that could be found. Enterprise councils have a rich history in German industrial relations, extending back to the Weimar period and in some cases before. In the post-war years, East German enterprise councils took on two new roles. First, they helped identify and root out active Nazis in industry, although in the case of management the Soviet record on removing these officials was mixed. Second, with many managers having fled to the West, councils performed the valuable service of getting production up and running again. But as they were composed primarily of Social Democratic and Communist workers, enterprise councils could hardly have been expected to increase labor discipline and productivity with the traditional tools of differential reward and labor segmentation.

It was not until the end of 1947 and the beginning of 1948, with the onset of the cold war and Zhdanov’s articulation of the ‘two camps’ theory, that the Soviets made their move against the social bases of the post-war moral economy. In October 1947, the occupation authorities issued Order 234. In essence the order was a full blown transfer of Soviet-style labor institutions to East Germany. Enterprise councils were abolished or incorporated into centrally directed trade unions. The order also called for a number of social measures to address the most urgent needs of East Germans: industrial safety, strict limits on the use of child labor, longer vacation time for workers involved in physically exhausting labor, ‘polyclinics’ and nursing stations in the workplace, improved living conditions for workers, and increased wages for female workers. Most important, enterprises were put on special lists, called ‘234 lists’, and received extra deliveries of food for preparation of hot meals served in the workers cafeteria and consignments of industrial consumer goods to be distributed at the workplace. Workers deemed to be especially productive or those involved in hard physical labor received a type ‘A’ meal. Those evaluated as less productive or performing less strenuous tasks received a less caloric and nutritious type ‘B’ meal. This principle was to be used in the direct distribution of consumer goods at the workplace as well.
The order also contained a number of measures to improve labor productivity. First and foremost came the fight against ‘slackers and corruption’. Absentee workers who did not produce a medical excuse could now have their ration cards taken away. In extreme cases they could be assigned to clear rubble from bomb sites, which, along with construction, was among the most poorly paid work and was almost never included on the Order 234 lists of enterprises receiving extra food. Most important on the discipline side, the order called for the reintroduction of piece work (Akkordarbeit) and other forms of productivity-based wages throughout industry. To assist management in raising productivity, Soviet-style ‘socialist competitions’ were to be employed and those individual workers who contributed most to raising productive norms were to be designated ‘activists’ and receive financial and political rewards.

Thus began the process of ‘sovietization’ of the East German labor force. Through a combination of incentives and sanctions, the particular Soviet method of binding ordinary people to their place of work, of refashioning the factory as a social and political, as opposed to purely an economic institution had begun. Much of this, of course, was not new to German workers or managers. Siemens and Zeiss had been pioneers in designing social policies internal to the enterprise. Yet, as socially oriented as many German workers and industrialists may have been in the pre-war era, they operated in a political and economic environment far different from the one confronting workers and managers in Soviet-occupied Germany. For one thing, the presence of the Soviet military authorities precluded the formation of anything like the independent employer and employee organizations that had hammered out personnel and wage policy in the Weimar era, and now in West Germany. The absence of legitimate interest representation meant that any wage settlement would be viewed by everyone from the outset as suspect, as an expression of state policy or, worse, ‘Russian’ policy, rather than as the result of wage negotiations between nominally independent parties.

Beyond the legitimacy question which would, of course, never go away, East German management confronted a far different set of incentives than its prewar counterparts. Pre-war German industry, for all the excesses of a highly organized internal market, still faced a modicum of domestic competition and the discipline of a highly competitive external market. These conditions no longer obtained for East German industry. Pervasive shortages and Soviet reparations policy all but guaranteed that the entire productive capacity of almost any given enterprise could be sold. Rather than being determined by demand, the success of East German managers was a function of their ability to secure the necessary inputs of production, of which labor was among the most important. It was this factor that yielded to labor a measure of power and ultimately determined the path of East German development.
Under these conditions, when the measures of Order 234 were implemented, the results were surprising and frustrating to both the Soviets and the East German communist authorities. Type A and B meals were never really doled out as intended; instead, complained one report to the center, workers continued to ‘eat from the same pot’. Where management stiffened its resolve to increase the differential of reward, workers often spontaneously evened out differences by purchasing goods for each other. According to communist party reports from enterprises, many foremen could not be stopped from putting all the piece#work tickets of any one shift into a common urn in order to ensure equality of reward. Piece#work equipment was regularly sabotaged, and piece#work engineers and rate busters were often the targets of physical threats and intimidation. In short, ‘everyday resistance’ hindered the successful implementation of any plan by the authorities for a crypto#marketization of industrial relations in what was still an egalitarian moral economy.

The workers were assisted by managers who were under pressure from both the Soviets and the evolving East German state authorities to maximize production at any cost. Management’s behavior was crucial, for however intrepid the resistance of ordinary people, once the Soviets wanted a policy there was no real way of stopping it. What management could and did do, however, is to corrupt the entire Taylorist apparatus set up by the Soviets, and continue to reward workers relatively equally. Most managers even used the onset of piece work to raise all wages beyond what they should have been. The East German communists and the Soviets wavered in their response to this retreat by management. Occasionally they attempted to make a run at the norm question, as during the rise and demise of the East German Stakhanovite movement in the late 1940s and early 1950s, but usually this amounted to little more than lip service. By turning what was supposed to be an economic measure into a socio#political one, East German managers were behaving quite rationally and shored up their position in a sellers market for labor.

This cat and mouse game between ordinary East Germans and the state continued unabated until 1953, when the regime took a quite serious run at the norm and wage question—interestingly, against the advice of the Soviets who had ‘advisors’ located in all strategic offices of the East German planning bureaucracy. Such runs were thought to be periodically necessary because wage competition between enterprises for scarce labor tended to increase solvent demand for consumer goods and the money supply beyond what was considered healthy. As in earlier years, the plan to raise output norms might once again have been undermined at the enterprise level had it not also been combined with price increases in transportation costs, consumer goods, and health care. The result was the first mass protest in the history of Soviet occupied eastern Europe. Over 500,000 people protested in 272 cities throughout the country on 17 June 1953.
Wage demands quickly escalated to political demands, all of which could only be put down with Soviet tanks.

The 17 June 1953 strikes, and the aftermath in the weeks to come, clearly frightened the East German leadership as well as the Soviets. Although communist party leader Walter Ulbricht managed to keep his job—barely, we now know in retrospect—the June events had frightened him. In order to buy labor quiescence, the communist party, with Soviet approval, continued to corrupt the entire Taylorist apparatus set up for measuring old norms and implementing new ones. Gradually, the outlines of an implicit agreement (or ‘social contract’) between the workers' state and the working class began to take shape: production could rise so long as norms remained low and wages high, relative to productivity. Industrial unrest did reappear sporadically throughout the 1950s, as the regime tried time and again to manipulate wages and piece rates. But enterprise party organizations and management had little interest in creating unnecessary industrial conflict and both tended to cave in to whatever demands workers might make. Rather than attempt to change this moral economy, communist authorities from very early on capitulated to it, and this gave ordinary East Germans an extraordinary degree of ‘blackmailing power’ against the regime.

Throughout the 1950s wages rose faster than productivity in virtually every sector of industry, a problem that the leadership would repeatedly attempt to rectify, albeit with little success. Never again would any East German leader attempt to implement development policies by asking for sacrifice from the population. East German leaders remained frightened of East German workers throughout the 1950s—which is why the Politburo built itself a specially guarded, and stocked, estate at Wandlitz—and even after the Wall was built in 1961. As an older generation of East Germans resumed its place and a new generation entered the workforce after 1945, both developed habits, orientations, and interests that were different from those of the working class of prewar Germany and what was starting to take shape in the West. The work ethic and culture of the East German working class had been completely refashioned. In the absence of a capitalist labor market, the egalitarian impulse developed in the early postwar years could not be broken as it was in the West.

The long run impact of this moral economy was to preclude any meaningful economic reform. As it happens, the only period of economic reform in East Germany was the 1960s, and this was headed off as soon as it became apparent that its continuation would require raising prices for consumer goods and transferring workers away from inefficient enterprises. The latter issue caused a mini riot in the coal mines of Zwickau. By 1974, the State Planning Commission noted that officially set wages had lost whatever stimulative function they might have had. In many industries, wages had not changed in fifteen years; in metallurgy and machine building, twenty years. Piece#
workers increased their wages through easily overfulfilling weak piece rates. With the specter of the workers uprising in June 1953 still haunting the communist party twenty years after the event, party and management refused to touch the issue. In consequence, piece rates became hopelessly outdated. In VEB Mikromat, for example, an electronics enterprise in Dresden, piece rates had not changed since 1956, and by the 1970s, were usually met at a rate of 160%.

Ignoring the center, management informally set wages as it saw fit. In 1974, a mere one-quarter of wages fell within the centrally determined guidelines, and in industry and construction only one-tenth. Notwithstanding official rules requiring significant wage differentials within an eight-tiered scheme, in practice, wage differentials remained small. The average aggregate figures can be seen in Table 9.1. As illustrative as these undifferentiated figures are, they nevertheless conceal some especially egregious cases of wage leveling in certain branches of the economy. In a number of enterprises, combines, and even entire industries, it was quite common for the average worker to earn more than a foreman. In the machine tools and heavy machine industries, for example, an average worker took home 63 and 50 marks respectively more per month than his immediate superior.

Table 9.1. Eastern Germany: Monthly Average Gross and Net Wages in Industry: GDR Marks

<table>
<thead>
<tr>
<th>Wage earner</th>
<th>Gross wage (Difference from worker)</th>
<th>Net wage (Difference from worker)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Worker</td>
<td>1014</td>
<td>899</td>
</tr>
<tr>
<td>Foreman</td>
<td>1312 (298)</td>
<td>1017 (118)</td>
</tr>
<tr>
<td>White-collar worker with higher education</td>
<td>1467 (453)</td>
<td>1137 (238)</td>
</tr>
<tr>
<td>White-collar worker without higher education</td>
<td>893 (-121)</td>
<td>688 (-211)</td>
</tr>
</tbody>
</table>


(p. 245) Survey research done since 1989 has generally supported the argument that East Germans valued and continue to value equality. The failure of the East German state to devise and inculcate at a social level a vision of meritocratic inequality that could have withstood the creation of an advantaged political/economic class, ultimately set it apart from the West. In explaining the rapid demise of East Germany, a number of sociologists have argued that the decisive factor was the disparity between society of official meritocratic equality and a society that in reality consisted of fairly significant
and growing inequalities. I find the explanation fairly convincing. East Germans knew exactly whom to blame. What angered them and drove them into the streets in large numbers was the public revelations after November 1989 that their leaders lived in a style, however modest by western European upper-class standards, that was simply unobtainable for the vast majority of most East Germans. Unification provided the tantalizing possibility of having it all, lifestyles of the elites and a standard of living that would not drop. What most East Germans did not appreciate at the time, especially those who went out in the streets calling for unification late in December, was that an economic union with the West would bring not only new wealth but also an instant commodification of social and economic relations that had been decommodified for more than forty years.

East Germany Between Development and Dependence

One thing that stands out about the economic commentary on German unification is how polarized the commentators are. Experts tend either to predict an inexorable march toward relative economic equality between East and West, based on the growth rates of the decade, or an unstoppable decline into a new German Mezzogiorno. This is not the place to elucidate the assumptions and logic of these competing analyses. What is worth noting, however, are the most general trends.

The economic policies of the other ex-communist countries have shifted back and forth between neoliberal shock therapy and state-led industrial policy, as politicians and populations have learned to discard ideological formulas in favor of pragmatic solutions to problems of early capitalism. In eastern Germany, on the other hand, western German largesse has enabled the five new states to sustain shock therapy over an extended period despite the significant social costs. At the same time, clearly eastern Germany has received more ‘external’ assistance than any other ex-communist country. From the time the GDR ceased to exist and joined the Federal Republic, on 3 October 1990, until the Autumn of 1995 nearly a trillion Deutschmarks of public money flowed from the west to the east, and the amount of support for the East continues to be astounding.

Western assistance has softened the shock considerably. Even so, the transition has not been smooth, nor has it gone according to plan. Predictions made at the time of unification, that the time needed for the East to catch up with the West was about five years, have been continually pushed into the future. Part of the explanation for the faulty forecasting was an underestimation of the economic disparities between East and West; few western Germans had a good grasp of the real economic situation in the East. But part of the reason was also a rather naive belief in the power of the ‘market’ in the West, a belief buttressed by eight years of solid economic growth in West Germany.
before unification. Such an illusion was also facilitated by a mythologized history of the 1950s during which Germans bootstrapped their way to prosperity. Ignored in all of this was the true nature of the German ‘economic miracle’. It was in fact driven not only by the market but also by a complex set of non-market institutions that evolved slowly, mostly by trial and error, over a period of ten years during which the standard of living remained low and currency restrictions remained in force. By 1995, however, most German politicians had jettisoned facile comparisons with the post-war era and come to the realization that unification will be a very long-term process.

The German experience in the East suggests that, even under the most favorable conditions, when support exceeds anything given West Europe under the Marshall Plan, constructing capitalist institutions of self-sustained growth from scratch is an experiment in many ways just as ambitious as the communist one that just failed. This lesson may be obvious but it is one that reinforces what has long been supported by students of late economic modernization. Success in economic development is not only, or even primarily, dependent on the amount of capital available to an economy but, rather, on the economic institutions in place to utilize the capital at its disposal. Capital and other resources may be transferred relatively quickly, especially in the 1990s, but the institutions and social structures designed to absorb and use them do not lend themselves to rapid transfer.

In 1990 most East Germans wanted unification for a very simple reason. Whether measured in terms of living standards or political and social freedoms, socialism was a failed experiment. Amalgamation with the most successful capitalist country in the world, West Germany, simply made sense as the best and most painless route to prosperity and freedom. With the choice thus put, a clear majority of East Germans voted for parties supporting rapid unification in the first free national election held in the GDR's history, on 18 March 1990. After that date, things moved quickly. By July 1990, an economic, monetary, and social union between the two countries was in place, and by year's end the GDR ceased to exist, its territory incorporated into western Germany as five new states within the German federal system.

A decade later, the results are impressive, especially if one ponders the counterfactual, 'what would eastern Germany have looked like without unification'. Between 1992 and 1995, the economy in the new German states grew between 7% and 10% per year, making Germany's east the fastest growing region in Europe at the time. Since then, however, growth has slowed considerably. East German productivity, which before unification had stood at about a third of West German levels, now stands at between a half and two-thirds, depending on the sector under consideration. Rudimentary economic infrastructure, such as roads, rail links, and telephone communications in the new states has been vastly improved by a steady stream of government investment.
But such overt signs of progress do not tell the whole story. For one thing, they mask very low starting points. Quite apart from the dismal state of the East German economy before unification, the immediate impact of unification between 1990 and 1992 was to unleash a depression in the east, the magnitude of which surpassed all expectations. Unable to compete with the West after the currency union—overnight this measure created a fourfold increase in the costs for east German goods and services—and subject to rapid privatization under the supervision of the German privatization agency, the Treuhand, East Germany industry collapsed. \(^{19}\) Table 9.2 tells the story from industry and manufacturing, in which four out of five jobs have been lost since 1990, as well as other sectors. Unification has meant an unprecedented kind of forced occupational mobility. Very few East Germans today work at the same jobs as a decade ago. While such mobility might be common in the United States, it is neither common nor welcome in Germany. \(^{20}\)


<table>
<thead>
<tr>
<th>Year</th>
<th>Total (1,000's)</th>
<th>Total %</th>
<th>Men %</th>
<th>Women %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991: 1st half</td>
<td>843</td>
<td>9.5</td>
<td>8.0</td>
<td>11.2</td>
</tr>
<tr>
<td>1991: 2nd half</td>
<td>1,038</td>
<td>11.8</td>
<td>8.9</td>
<td>14.7</td>
</tr>
<tr>
<td>1992: 1st half</td>
<td>1,123</td>
<td>14.2</td>
<td>10.0</td>
<td>18.9</td>
</tr>
<tr>
<td>1992: 2nd half</td>
<td>1,101</td>
<td>13.9</td>
<td>9.7</td>
<td>18.6</td>
</tr>
<tr>
<td>1993: 1st half</td>
<td>1,100</td>
<td>15.1</td>
<td>10.4</td>
<td>20.2</td>
</tr>
<tr>
<td>1993: 2nd half</td>
<td>1,175</td>
<td>16.2</td>
<td>11.2</td>
<td>21.5</td>
</tr>
<tr>
<td>1994: 1st half</td>
<td>1,117</td>
<td>15.7</td>
<td>10.4</td>
<td>21.3</td>
</tr>
<tr>
<td>1994: October</td>
<td>1,001</td>
<td>14.1</td>
<td>8.9</td>
<td>19.5</td>
</tr>
<tr>
<td>1997: February</td>
<td>–</td>
<td>18.2</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>2000: September</td>
<td>–</td>
<td>16.8</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>


Table 9.2 shows aggregate unemployment rates since 1991. In assessing this table it must be noted that the figures do not include those on government-funded retraining programs, make-work programs, short-time work, or early retirement. If they did,
the numbers would be closer to 30%, and in some areas higher. Notwithstanding this
caveat, two items stand out. First, the real losers of unification are women. In fact,
two-thirds of all unemployed East Germans are women. 21 Despite some success in
bringing down male unemployment in 1994–5—though not from 1996 to 2000—little
headway has been made in reducing female unemployment from an uncomfortably high
level. As a result of these new pressures, the East experienced an unprecedented and
much publicized decline in the birth and marriage rates immediately after unification,
as young women delayed starting families until they found their footing in the new
social order. 22 However, there is some evidence that the situation is now starting to
‘normalize’. Second, aggregate unemployment rates started to bottom out only in the
first half of 1994, well after the economy started to turn around. On the fifth anniversary
of unification, official unemployment in the east hovered at approximately 14% with
significant regional variation. The latest figures as of time of writing (September 2000)
put unemployment in the East at 16.8%.

This latter observation—rapid economic growth in a stagnating (or even collapsing)
labor market—suggests that the stabilization and turnaround of the East German
economy has had little to do with sustained, ‘domestically’ (p. 249) driven growth.
Indeed, if one looks a little deeper, it is easy to see just how dependent on the West
the East German economy was in the decade after uni#fication. In 1995, the estimated
DM158bn marks in transfers to East Germany ended up receiving from the federal
government, other Ländere (states), the European Union, and social security amounted
to more than 25% of the resources available in East Germany for consumption and
investment. Whereas East German demand for goods reached about DM610bn in 1995,
only DM380bn goods were produced there. Trade flows tell a similar tale. In 1994, East
Germany bought DM255bn from the West, while selling a mere DM45bn in return.
There is not one major East German product that has a market throughout the Federal
Republic; those that have managed to survive do so at a regional level. Despite high level
commitments of major German producers to ‘buy East’, only about 10% of East German
production is sold in the West and even less makes its way on to world markets. 23 Thus
the balance of trade remains heavily tilted in the West’s favor.

Much of the incoming capital has been spent on consumption and, as Table 9.3 suggests,
much has flowed into construction. Besides the building of new homes and apartments,
a wave of commercial and retail construction drove most of the initial East German
recovery. According to one expert, however, the region simply does not require much of
what was being built. For example, between 1990 and 1995, DM50bn were invested in
metropolitan Leipzig, mostly in large shopping centers and the like. Meanwhile 17% of
commercial real estate remains empty. 24 If the five new states are to be anything more
than sales markets for West German firms, subsidized by large governmental transfers
of wealth to the East German population, some sort of industrial policy must be put in place.

Table 9.3. Eastern Germany: Sectoral Employment: in 1,000’s (1991–4)

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture and forestry</td>
<td>985</td>
<td>385</td>
<td>266</td>
<td>234</td>
<td>218</td>
</tr>
<tr>
<td>Energy and mining</td>
<td>306</td>
<td>209</td>
<td>164</td>
<td>134</td>
<td>124</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>3,625</td>
<td>1,725</td>
<td>1,230</td>
<td>1,115</td>
<td>1,063</td>
</tr>
<tr>
<td>Construction</td>
<td>846</td>
<td>727</td>
<td>848</td>
<td>957</td>
<td>998</td>
</tr>
<tr>
<td>Trade and transport</td>
<td>1,652</td>
<td>1,206</td>
<td>1,141</td>
<td>1,135</td>
<td>1,115</td>
</tr>
<tr>
<td>Services</td>
<td>962</td>
<td>970</td>
<td>1,057</td>
<td>1,142</td>
<td>1,179</td>
</tr>
<tr>
<td>State</td>
<td>1,750</td>
<td>1,450</td>
<td>1,416</td>
<td>1,337</td>
<td>1,320</td>
</tr>
<tr>
<td>Total</td>
<td>9,766</td>
<td>6,672</td>
<td>6,122</td>
<td>6,054</td>
<td>6,017</td>
</tr>
</tbody>
</table>


(p. 250) The central problem in the new German states is that the de-industrialization that occurred in the first years after unification has not been overcome. Measured against western standards, East Germany under communist rule was over-industrialized; now however it is clearly under-industrialized. Approximately one million people today work in industry in the East; by western standards this number should be 3.4 million. The rapid growth in the service sector after unification corrected what had been a typical weakness of a command economy. But further growth in this sector will depend on demand for services from industrial enterprises in the regions. It will also depend on the willingness of western firms investing in the east to use locally based service providers rather than relying solely on their tried and tested teams of external consultants, programmers, and market research from the West. Illustrating this problem, the head of a market research firm in Rostock complained to me in 1999 that ‘since almost all large investment comes from the west, breaking into market research depends on developing connections with western firms who, in all honesty, have no need for new partners in the east. The fact of the matter is that West Germany and Europe produce more than enough to cover demand in east Germany and for that reason our situation is completely unlike that in the west after the second world war’.
Given the absence of large capital holders in the five new states, industrial investment will necessarily come from western Germany and other developed capitalist countries. Much of eastern Germany’s future will thus depend on how attractive it is as an investment site. In comparison with other post-communist countries, eastern Germany enjoys a highly stable political and institutional environment for investors, which, in theory, should make it appealing for investors. In fact, the record since unification is mixed. While some areas in eastern Germany, such as Dresden and Leipzig have been successful, others have not. One problem continues to be labor costs. Fearing downward pressure on wages from cheaper eastern workers, German trade unions quickly dominated the eastern landscape and have consistently put upward pressure on eastern wage settlements. But with a persistent disparity in labor productivity, raising eastern wages rapidly up to the level of the West rendered unit labor costs for potential large investors even more threatening than they already are in western Germany. Describing the impact of high East German wages in the context of a globalized labor market in 1994, German economist Fred Klinger characterized the situation dramatically, ‘Worldwide there is, by far, no more comparable production location that is simultaneously so expensive, so productively weak, and infrastructurally so poorly equipped’. 25 Thus, despite a good start after unification, productive investment has begun to lose pace.

High unit labor costs deter not only large corporate investors, they also make it difficult for small- and medium-sized businesses to stay afloat. The new medium-sized firms that sprouted after unification are currently undergoing a crisis of solvency; the majority are going bankrupt, a phenomenon not unusual in itself but alarming when one considers just how small the East German Mittelstand is compared to the West. As the subsidies and tax breaks from the federal government that are intended to promote enterprise in the east run out over the next few years, one can expect the bankruptcy rate to increase substantially.

With the Treuhand having finished its work of privatizing enterprises at the end of 1994, many Germans developed the sneaking suspicion that despite impressive gains in construction, infrastructure, and consumption, reestablishing a base of productive industry throughout the new states will not come about without some sort of regional economic policy. This is slowly becoming the consensus at both the federal and Land (state) level. Yet even with such a consensus, it is not clear whether Germany has either the political will or economic capacity to continue to pour in resources to the East at the rate of the past decade. Unification has not only created new problems, it has also brought old ones to a head more quickly than expected. In particular, the German welfare state, a staple of national integration since Bismarck’s time, will most likely continue to be downsized in the coming years, as the Federal government searches for ways to defray the costs of high unemployment, industrial restructuring, an aging...
population, and economic uncertainty in the new states. The flexibility and adaptability of German-style organized capitalism is currently being pushed to the limit by the costs of unification.  

For this reason, most economists now predict that levels of development in the new German states will be far more differentiated than in pre-unification West Germany. One can already see the contours of this differentiation. Whereas unemployment levels in Dresden are already lower than in such crisis-ridden western cities as Bremen and Wilhelmshaven, such traditionally backward areas of East Germany as Mecklenburg-Western Pomerania or Brandenburg, where the old communist government made some effort to even out the differences, will probably resume their status as sparsely populated and poor areas. More than a generation ago, Albert Hirschman argued that small differences in levels of development tend to reinforce the backwardness of the backward region and the advantage of the advanced region because small differences quickly accumulate into large advantages. (p. 252) Although post-war Germany policy managed to even out regional economic differences through administratively intricate financial transfers, this policy was designed to work among regions with economies at roughly the same level of development. Extending the policy eastward after 1990, however, has put a severe strain on the German budget which, if continued, will necessitate either higher taxes or significantly lower social benefits for Germans today and in the future. Budgetary considerations will therefore ultimately reinforce the advantages currently enjoyed by Germany's richer regions.

Persistence of Regional Identities: Workers and Politics in the Long Run

Even though East Germans are eating better food, receiving better health care, buying more consumer durables, living in better apartments, travelling abroad more frequently and to pricier destinations, and breathing better air at home, many still complain that the skills and communal habits acquired under socialism have been devalued by the transition to capitalism and a Western culture that belittles the lives lived in the GDR's forty-year history. This is true even for the vast majority of East Germans who continue to say that unification was both a good idea and a necessary step. West Germans, for their part still supportive of a unified Germany if somewhat irritated at the cost, recognize too that neither political nor economic unification are substitutes for nation-building. As one West German admitted in a conversation in Fall 1998, ‘my positive feelings about unification do not contradict the fact that from the standpoint of basic values I still probably have more in common with Danes, Frenchmen, and the Dutch than with most east Germans’. Surveys continue to show that most western Germans rarely visit eastern Germany.
Undoubtedly, the strains of unification have exacerbated the cultural divide that was already in place when unification occurred. Most Germans have the uneasy feeling that unification has somehow changed everything; there is no going back to the old Bundesrepublik. Often overlooked in the literature is how unification has changed not only East Germany but also the West. The changes are subtle but important, and they range from the mundane to the strategic. The future of such bedrocks of West German political stability as the welfare state and Germany's strict subordination to the US lead in foreign policy are now quite open to debate.

Notwithstanding these new challenges to western Germans' source of identity, they pale in comparison to the changes experienced in the East. Public opinion in the East is volatile and difficult to gauge from the polls. As already noted, the vast majority of East Germans continue to judge unification with the West to have been a good idea. Few would want to go back to 'really existing socialism'. There is nevertheless a widespread feeling among East Germans, much more widespread than expressed in the public opinion polls, (p. 253) that something is wrong with the new order that has descended upon them. Such amorphous sentiments cannot be explained by relative deprivation. Rather, they are related to the sudden and almost complete commodification of the economy. After all, measured purely in terms of living standards East Germans are the true winners of communism's collapse. Even though most East Germans earn more money and consume better products than before unification, the idea that such fundamental areas of human life such as housing, schooling, day care, as well as food and other staples, should be subject to cost-benefit calculation remains morally malodorous. The ‘moral economy’ of communist society appears to have persisted well into the transition period.

West Germans have very little understanding or sympathy for this moral economy; understandably so, since addressing its core elements would mean dismantling an order that has given them an enviable standard of living. Such fundamental differences in opinion between East and West Germans complicate the task of nation-building. Differences between East and West will persist for some time. Not surprisingly, political elites have been quick to adapt. While the major political parties are careful not to play the East off against the West, politicians of all persuasions have learned to pitch their messages differently depending on the regional audience. Successful politicians and administrators usually have dual cultural competencies that allow them to swim in both eastern and western waters. When they do not, they do not survive long.

The federal elections of 1994 and 1998, and the regional elections in 1999, provided a litmus test of sorts for unified Germany. 29 West Germans, never asked at the ballot box whether they wanted unification, could use the opportunity to vent their frustrations with the costs of unification, which at the very least amounts to a yearly
personal and corporate income tax surcharge. East Germans, after years of vicariously experiencing an idealized capitalism through television, could now vote on what they thought of ‘really existing capitalism’.

In 1994, although the Social Democrats (Sozialdemokratische Partei Deutschlands; SPD), managed to capitalize on voter anger in several regional and local contests, improving economic news at the beginning of the year and a general sentiment that there was no alternative to the Christian Democrats at the federal level allowed for the re-election of Helmut Kohl for his last term in office. By 1998, voters had tired of the CDU which had been in power since 1982. At the same time, Gerhard Schröder, the new leader of the Social (p. 254) Democrats, had managed to refashion the message of his party in the manner of Tony Blair and Bill Clinton so that it would appeal to voters at the center of the political spectrum. The makeover worked and in the 1998 elections the SPD won a plurality and formed a coalition government with the Greens. One year later, however, in the wake of a growing impression that the SPD/Green government was no more competent than its CDU predecessor, the SPD suffered a series of stunning defeats in a number of state (Land) level elections, which, in the German political system, is reflected at the national level in the makeup of the upper house of parliament, the Bundesrat. In 2000, Schröder managed to stabilize his authority not because of any changes in policy but rather thanks to the corruption scandal that enveloped the opposition CDU.

How is the cultural divide between East and West Germans reflected in differences in voting behavior? The big difference between West and East German voting behavior has been in the performance of the smaller parties which under Germany’s proportional representation system have a relatively good chance of capturing seats. In 1998, the Free Democratic Party (FDP), which had been a coalition partner in every CDU government since 1982 and currently advertises itself as a party of free enterprise, sustained its support in the West at just over 7%, at the same time it all but collapsed in the East, garnering a mere 3.3% of the eastern vote. In the 1999 state elections in the East, it performed worse than several right-wing radical parties, failing to receive the 5% minimum to be allotted seats in the state parliaments. Given the weak development of East German business, few East Germans had much interest in the Free Democrats. Similarly, the Greens, who had done poorly in the 1990 elections, fared much better in the West in 1994, easily clearing the 5% hurdle in nearly every state level election as well as in the federal campaign. But in the East they lost much of the support they enjoyed after 1990, ending up with a mere 4.3% of the eastern German vote. In the 1998 federal elections the Greens fared slightly worse than in the 1994 campaign and were unable to improve their position in the East. Whereas the FDP had trouble finding a chic upper middle-class constituency in the East, the Greens had trouble finding a solid ‘post-materialist’ constituency among East German voters.
The largest divergence between East and West Germany, however, has been the performance of the Party of Democratic Socialism (PDS), the successor to the old communist party. While receiving a paltry 0.9% of the western vote in 1994, the PDS consistently booked nearly 20% of the East German vote at both the federal and state levels, and 34.7% in East Berlin. In the 1998 federal elections, PDS sustained and even increased its share of votes among East Germans. Furthermore, in the 1999 state elections in four East German states, the PDS often outperformed the Social Democrats and in East Berlin it received an astounding 40.6%. Such consistently high levels of support for an ‘anti-system’ party that is still uncomfortable with its own Leninist past is a source of quiet concern to many Germans in the West. The PDS campaigns have been cleverly formulated and implemented. The PDS portrays itself as a ‘socialist alternative’ to all the other parties, as a party that represents the ideals and interests of its old communist clientele, while simultaneously fighting for the interests of those who feel somehow disenfranchised by unification. The PDS has also gained in strength by mobilizing voters in the East who had simply stopped voting altogether. In addition to an unanticipated strong vote among young people, the fact that 27% of white-collar workers and 35% of civil servants in eastern Germany voted PDS in 1994 suggests that party loyalty runs deeper than expected, even among East Germans who successfully negotiated the transition. 30

Whether the PDS will be able to sustain its strength in the East, expand its voter base into the West, or simply fade away as the material and spiritual difficulties of unification become less salient remains an open question. Some evidence suggests that it will be a part of the eastern German political landscape for some time to come. 31 First, the PDS has had an usually persistent clientele. Four-fifths of its 1990 voters remained loyal to the party in the 1994 election and these numbers were sustained into the 1998 and 1999 elections. Such a level of party loyalty puts it above any other party in the East. Almost 70% of its voters are long-time members of the party, which suggests that in an era of declining party identification, the PDS constitutes an important exception. Second, the social characteristics of PDS voters indicate that changes in the economic or social conditions in eastern Germany will not affect the party loyalty of PDS voters. They tend to have above average education levels, to be politically alienated and distrustful of the Federal Republic’s political institutions, and overwhelmingly ‘socialist’ in orientation, believing that the GDR had more good than bad points. It is possible that such a nostalgic outlook will pass as conditions in the East improve, but this will more likely result from a new generation coming to accept the new Germany as inevitable and natural. Whether the PDS will be able to adapt to a changing generation of voters remains an open question.

Apart from voting behavior there appears to be a long-term sense of disappointment in the East with the institutions of representative liberal democracy. Commentators on
the left have tended to attribute this malaise to a nascent discursive political culture of 1989 that was destroyed by the electoral professionals. There is probably some validity to this argument but it may also be worth looking deeper into the East German past in order to understand why so many people are dissatisfied with liberal institutions. One German psychologist, for example, has argued that although few East Germans would want to return to ‘really existing socialism’, the de facto blackmailing power of the population in the GDR gave them a sort of immediate access to power—‘if you don’t come and fix my heating, I won’t vote in your rigged elections’—that is missing in a representative democracy, where power is necessarily indirect and distant.32 In the East German workplace and neighborhoods, with their continuous cycles of party, trade union, and educational meetings, politics was experienced not only as something oppressive, and even laughable, but also as something that was, as the Germans say, ‘skin near’. Politics in the new order is experienced as something distant and irrelevant and the PDS has profited from this at the local level by cultivating a strategy of grassroots politics—the only party to have succeeded in doing this in the East.

Conclusion: Globalization and Moral Economy

East Germany’s globalization crisis, an extreme variation on a common post-socialist theme, has reinforced old identities and even created new cultural differences that might have otherwise been ignored. I have argued here that what is driving the new particularisms in Germany today is the impact of global markets on conceptions of work and the market that reflect the legacy of forty years of Leninist economic institutions. Although East Germans have improved their material quality of life, they continue to feel a lack of recognition for the distinctive moral economy that they brought into unified Germany. Political theorists, such as Charles Taylor and Axel Honneth, have recently argued that the ‘need for recognition’ runs as deep as that other bedrock of interest based political analysis—the need for self-preservation.33 If their analysis is correct, then the mode of unification, which cast aside forty years of East German history while preserving the economic equalities that were the basis of that history, explains the nature of the continuing cultural divide in Germany today. Such divisions and boundaries can be easily ‘ethn$cized’ and taken advantage of by political entrepreneurs. Germans will surely not be politically divided again in the manner of pre-1989, if only because the elites on both sides of the old borders are, for the most part, committed to making unification work. In a ‘Europe of regions’, however, the kinds of regional tensions in culture, interests, and identity may gradually erode what were considered after 1991 to be sovereign inevitabilities.

The strategy of unification which accommodated the old communist moral economy appears to have helped perpetuate the divide between East and West in unexpected ways. It is not clear that an alternative strategy of unification, that of leaving the...
East to fend for itself in a market with high tariffs, would have worked much better. While it might have altered fundamental attitudes towards economic inequality, it would also probably have produced (p. 257) more unrest. We do know, however, that the new divide, whatever its ultimate causes, is slowly and permanently changing Germany. First, regional variations in development will probably grow in the years to come as the budget is stretched to its limits by the costs of unification which remain at approximately 4–5% of West German GDP. Second, the need to compete politically in the East will probably alter the structure and governance of the major parties. If the PDS survives or thrives at the local level, decisions will eventually have to be made on acceptable forms of cooperation because, a decade after unification, it remains the most firmly rooted party in the East. Third, the German model of industrial relations is quickly being undermined by the growing fiscal crisis of the state—brought on in part by the costs of reunification—and the continuing stagnation of the labor market in the East. These considerations, when taken together, suggest that the costs of Germany's globalization crisis of unification have been, and will continue to be, much higher, than anyone would have dared imagine a decade ago.

Notes:


(3) For an excellent argument exploring, and ultimately criticizing, this point of view, see Marc Howard, ‘A East German Ethnicity? Understanding the New Division of Unified Germany’, *German Politics and Society*, 13: 37 (1995), 49–70.


(7) In fact, most Germans now maintain that East Germans in their behavior and East Germany in its ethos are, if anything, more ‘capitalist’ than their Western counterparts.


(14) Twelve years after the June events, for example, when the management of the Oberspree Cable Works tried to adjust piece rates, a report of the Committee for Labor and Wages lamented that ‘the workers declared that if new piece rates were introduced, they would take up work in another enterprise. Five workers took the discussion about the use of new rates, which would not have led to any wage reductions, as cause to quit’.


(16) In a recent issue of Das Parlament, the time frame for economic equality between East and West was put at 20–25 years and that the current levels of transfers will last that long as well! (17–24 January 1997, 1).


(18) Whereas in 1988 only 17% of East German households had telephones, corresponding to the level of Crete, between 1990 and 1993, 2.3 million new lines had been installed, with the expectation that the West German level would be attained by 1997. Manfred Wegner, ‘Produktionsstandort Ostdeutschland’, Aus Politik und Zeitgeschichte, B, 17/94 (29 April 1994), 20.

(19) In 1991, an American economist, George Akerlof, proposed that the shock be further cushioned by temporarily continuing support for uncompetitive enterprises which would shield them from ‘foreign’ competitors and predatory investors. His advice was never given any serious thought in policy circles. George Akerloff, Andrew Rose, and Janet Yellen, ‘East Germany in from the Cold: The Economic Aftermath of Currency Union’, Brookings Papers on Economic Activity, 1 (1991).


(26) Calculated at between DM120m and DM140bn per year, the total support of the West for the East is between 4% and 5% of the West’s GDP.

(27) From a socio-demographic perspective, this also marks a return to the pre-war pattern of emigration. During that era German governments had customarily allowed backward areas to stagnate and encouraged the poor in those areas to emigrate to the West. Today, this has again more or less become the pattern in Germany.


