

An Unexpected, Unresolved Unification

Unified Germany in Perspective

Course Repository Systems

1. ReaderPlus, for required readings:
<https://www.zdv.uni-mainz.de/readerplus/>
 - ▶ Reader Number: 9418
 - ▶ registration code: 1990
2. Homepage, for general information, slides, reading list etc.:
<http://kai-arzheimer.com/unified-germany-in-perspective/>
3. Jogustine, for administration and email:
<https://jogustine.uni-mainz.de/>

Requirements

- ▶ Regular attendance; you may miss not more than two classes
- ▶ *Active* participation ← you *must* do the assigned readings
- ▶ Otherwise: no credits

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- ▶ **You Must Read!**

“Modulabschlussprüfung” / “Schein”

- ▶ An essay (5 000–6 000 words)
 - ▶ Well structured
 - ▶ Properly referenced
 - ▶ Cleverly argued
- ▶ You will pick an essay title from the list that I will distribute
- ▶ More information: Course outline
- ▶ The department’s universal deadline applies
- ▶ There is just one deadline
- ▶ Should you fall ill after July 1 you must provide a medical certificate to get an extension.

Introduction

April 21	An unexpected, unresolved unification	Schmidt (2004, ch. 6); Kitschelt and Streek (2003)
April 28	The other half of Germany	Fulbrook (1995, 21-56, 129-150); supp.: Childs (1983); Dennis (1988)

Stock taking: What's left of the Bonn Republic?

May 5	Still "Capitalism with a Human Face"?	Edinger (1998, ch. 5), Leibfried and Obinger (2003)
May 12	Whatever happened to federalism?	Gunlicks (2002); Auel (2008); supp: Benz (2008)
May 19	Foreign policy: A new role for the 21st century?	Green et al. (2008, ch. 9+10); supp.: Overhaus (2004)

New developments: former foreigners and reborn right-wingers

May 26	Who is German?	Minkenberg (2003); Kruse, Orren and Angenendt (2003), Howard (2008)
June 9	Right-Wing extremism in unified Germany	Backer (2000); Lubbers and Scheepers (2001)

Unification's impact on political attitudes and behaviour

June 16	The wall in People's Heads	Dalton and Weldon (2010); supp.: Bauer-Kaase and Kaase (1996)
June 30	The party formerly known as "Sozialistische Einheits- partei Deutschlands"	Koß and Hough (2006); supp.: Hough, Koß and Olsen (2007)
July 7	Parties, party systems, co- alitions	Kropp (2010); Detterbeck (2008)
July 14	Sources of support for polit- ical institutions in Germany	Campbell (2004)

A new Germany?

July 21 Review: "Plus ça change,
plus c'est la même chose"

Padget (2005); Pulzer
(2006)

Why is this relevant?

- ▶ History: Germany ...
 - ▶ World War I & II
 - ▶ One of the drivers of European Integration after 45
 - ▶ The largest European country in terms of population/economy
- ▶ After 1989, the only example of democratisation by integration
- ▶ One of very few (recent) successful mergers between states
- ▶ After 20 years, the first generation born in unified Germany comes of age

What are/were the political core characteristics? I

- ▶ Finally, a stable and well-working liberal democratic system
- ▶ Democratic political culture
- ▶ Open media system
- ▶ Firmly integrated into the Western World
 - ▶ NATO
 - ▶ EC/EU
 - ▶ Special relations with US *and* France
- ▶ Parliamentarism
- ▶ Consensus Democracy, high degree of constitutionalisation
- ▶ A mixture of conscious design and self-perpetuating structures (path-dependency)

What are/were the political core characteristics? II

- ▶ Many veto players: Federal Constitutional Court, Land governments, strong interest groups, media etc.
- ▶ Centripetal party competition; neo-liberal forces within CDU/CSU very weak
- ▶ "Unifying Federalism", widespread support for cautious and gradual change, "Stable State" and "Trading State"
- ▶ (Relative) political and economic success even in the 1970s/80s
- ▶ Growing debts & large public sector, but substantial cut-backs by the Kohl government since the early 1980s

What are/were the most important sectors? I

- ▶ (Slow) decline of coal and steel industry, massive subsidies but no nationalised industries
- ▶ Export-oriented, some really large and successful companies (cars, chemical industry)
- ▶ High degree of interlocking, central role of large banks and insurance companies ("Deutschland AG"), loans very important (vs. stock-market)

What are/were the most important sectors? II

- ▶ Retail market and small business dominated by (public) saving and co-operative banks
- ▶ Large number of med-sized (Mittelstand) companies (engineering), often still owned by families
- ▶ Rather few high-tech companies; third sector (services) much smaller than in Britain or Scandinavia
- ▶ Small (and heavily subsidised) agricultural sector, but still bigger than in Britain and with much lobbying-power

What was odd about economic structures? I

- ▶ High level of competition and co-operation between firms
- ▶ Co-determination approaching parity on supervisory boards (applies to companies with more than 1,000 employees in steel & mining, 2,000 employees in all other sectors)
- ▶ Elected works councils with guaranteed rights of information, consultation, participation (dominated by unions)

What was odd about economic structures? II

- ▶ Structures and law favour (male) long-term, full-time employment
 - ▶ Lay-offs, difficult to get and to lose work
 - ▶ Dual vocational training, apprentice-system
 - ▶ Established occupations
- ▶ Corporatist elements:
 - ▶ Sectoral/regional bargaining by unions/employers associations, moderate wage demands
 - ▶ Compulsory membership in chambers and other restrictions for many professions and crafts
 - ▶ Social insurance systems public, but not state-run, "controlled" by workers/employers

Collective Wage Agreements



What Kind of Welfare State was the Federal Republic? I

Esping-Anderson's "Three Worlds of Welfare Capitalism"

- ▶ Scandinavian (Social-Democratic) Model: universal, high-level of benefits and redistribution
 - ▶ Anglo-Saxon (liberal) Model: low-level of provisions, benefits means-tested, reliance on private provisions
 - ▶ *Continental (Conservative) Model*: Universal, but based on contributions/insurances; retain previous level of achievement
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- ▶ Bonn Republic located within the "third world"
 - ▶ Very basic social security provided by municipalities (regulated by federal law)

What Kind of Welfare State was the Federal Republic? II

- ▶ Health, old-age and unemployment benefits based on contributions by employers and employees → very high labour costs (roughly 40% contributions on top of gross salary)
 - ▶ Whole system based on model of single (male) breadwinner
 - ▶ Expensive, mixed/regulated and partly re-distributive health system
 - ▶ Old-age and unemployment benefits based on previous income
 - ▶ No capital stock in the pension system – demographic problem

What Kind of Welfare State was the Federal Republic? III

- ▶ Corporatist roots provide for an enormous fragmentation (one insurance for each occupation/group):
 - ▶ 1,200 public ("gesetzliche") health insurances in 1991
 - ▶ Still 254 in 2005
 - ▶ All offering exactly the same package (though at different costs)
 - ▶ Number of public old-age insurances lower, but even after reforms 17 independent units left
 - ▶ Special rules for certain status groups (Beamte, professions regulated by chambers, ...)
 - ▶ Growing private sector

Summary

- ▶ Bonn republic a sometimes confusing and contradictory, historically grown, highly diversified, highly decentralised and highly successful system
- ▶ Culture of incrementalism, many people suspicious of change, change impeded by structures
- ▶ Performance problems discussed by experts in the 1980s, but not yet palpable for the public
- ▶ Very cautious "reforms" by Kohl government (*not* Mrs. T)
- ▶ *No plan for unification whatsoever – in 1988 Heiner Geißler (CDU) considered to officially give up the party's commitment to unification*

Why 1989?

- ▶ Very effective system of surveillance and suppression, opposition weak for decades
- ▶ But Russia increasingly unhappy with GDR leadership
- ▶ Fraud in local elections uncovered in spring 1989
- ▶ Hungary allows GDR citizens to leave the country in summer
- ▶ Citizens' movement gains momentum from early autumn
- ▶ Old leadership loses grip, new leadership not in full control
- ▶ November 10 neither caused by the pope nor by Reagan ...
- ▶ ... rather a mixup/desperate measure

Revolution in the GDR

movie

November 10 1989



sound

The Road to Unification

- ▶ Initially, no broad demand for unification in East Germany
- ▶ Changed during autumn ('Wir sind das Volk' vs. 'Wir sind ein Volk')
- ▶ West German Government very cautious (for very good reasons)
- ▶ Until ca. Christmas 1989, largely passive
- ▶ Encouraged by the Americans to take action
- ▶ Finally, entered negotiations with US, Russia, France, UK + GDR

What was decided? I

- ▶ Both German governments entered talks regarding unification in January 1990, acceleration after the March election in the GDR
- ▶ Treaty on Economic, Monetary and Social Union signed in May 1990 (came into force in July)
 - ▶ GDR Mark replaced by Deutschmark, basically at a 1:1 ratio
 - ▶ Applied to wages, pensions, scholarships etc.
 - ▶ Complete and immediate integration of the GDR economy into the western system; nationalised firms (almost all) given to the "Treuhandanstalt" for swift privatisation
 - ▶ Eastern Welfare system replaced by social insurance institutions of the Bonn republic
 - ▶ All west German laws regulating work relations and welfare effective immediately

What was decided? II

- ▶ Länder re-established in July (came into force in mid-October)
- ▶ "Einigungsvertrag" (negotiated in July/August)
 - ▶ Some 900 pages, lots of gory details
 - ▶ GDR joins the FRG (Art. 23)
 - ▶ Berlin capital
 - ▶ Unified (enlarged?) FRG successor of the GDR (debts)
 - ▶ Accepted by both parliaments on September 20
 - ▶ Unification on October 3
- ▶ A state peacefully disposes of itself, all laws (with minor exceptions) and institutions replaced by those of its neighbour within less than a year
- ▶ Very unusual and very different from other post-socialist countries

Why so much haste?

- ▶ Narrow and rapidly closing window of opportunity (Russia)
- ▶ East German elites/intellectuals not pro-unification
- ▶ West German elites liked their system and faced no popular resistance (provided that they "delivered" as fast as possible)
- ▶ Massive, unregulated migration from East to West
- ▶ Self-interest of the Kohl government

What were the consequences for the former GDR? I

- ▶ Many institutions (especially child-care) esteemed by citizens dismantled
- ▶ Following the 1:1 conversion of wages and the removal of all tariff borders, the east German industry became non-competitive
- ▶ De-industrialisation; work force reduced by some 40 per cent; massive reduction of female work force; wages approaching western levels

What were the consequences for the former GDR? II

- ▶ Short, artificial boom in the early 1990s followed by long stagnation and very high unemployment
- ▶ Massive investments in infrastructure, often completely pointless state interventions (housing, re-industrialisation), enormous losses
- ▶ Population by and large protected from economic consequences, but widespread feelings of disenchantment, resentment, inferiority

What were the consequences for the former FRG?

- ▶ Many structural problems identified in the 1980s not resolved *and* exacerbated by unification
- ▶ Total net transfers to the East somewhere around a 1,000 billion Euros ("Abschwung West")
 - ▶ Standard of living in the West still pretty high
 - ▶ But money that should be invested for future generations (education!) used for (Eastern) consumption
 - ▶ (Roughly 20% of the federal budget now spend on pensions)
 - ▶ Contribution-based social insurance systems would probably still do reasonably well if not for the East
- ▶ Enormous budget deficit

Summary

- ▶ Unification provided a unique opportunity to break the mould
- ▶ Instead, the public and the majority of the elites opted for an extension of the western status quo
- ▶ Some key decisions taken out of necessity or for short-term gains had fatal consequences in the long run and cannot be reversed
- ▶ 16 years after unification, Germany is bigger, weaker, more diverse and much more interesting than before 1990

Class questions

1. To what degrees are "mistakes" of the governments responsible for today's problems?
2. Was there a viable alternative to the course set by Kohl?

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