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Germany's Unification: Prospects, Problems, and Challenges of the German Unification in Economics and Society 20 Years After the Fall of the Berlin Wall

Ladies and Gentlemen,

It has already been more than twenty years since the fall of the Berlin Wall. It's all too easy to use the word "fall," but what does that actually mean? The wall did not vanish on its own, but rather it was the People, in a figurative sense, who unhinged it before the hammers and chisels could tear it down. It was the People who insisted on resisting the German Democratic Republic, the same regime that raised the walls in 1961. And of course it was the legions of brave people who faced their fears in the autumn of 1989 and paraded through the streets to bring about the dissolution of the SED Regime.

It was also a unique mixture of economic and political factors in 1989 that made it possible for the criticism of a few individuals to swell up into a huge choir and carry out a peaceful revolution. The Soviet Union and its "forced" allies had begun a reformation process, but only the GDR had refused to react to the strong, internal criticism. Most of the citizens of the GDR considered their government to not only be resentful of reform but also incapable of it. A growing number of citizens were applying to leave the GDR for the Federal Republic of Germany in the West – already 120,000 left in the summer of 1989, and thousands more drained out of Hungary and Czechoslovakia to the West. More and more people participated in the Monday Demonstrations in the streets, first in Leipzig and Plauen, and then in various other cities around the country. New political groups and initiatives were being established. Finally, the GDR government yielded to the demands of the citizens and created new rules for Westward travel on November 9th, 1989. It was due to this development, and a subsequent mixture of crucial national mistakes and confusion, that the citizens of Berlin courageously ended the brutality of the GDR border regime once and for all.

I, myself, can remember the historical evening of November 9th like it was yesterday. I was right in the middle of it all. I was standing on the Eastern side at the front of the East-West barrier on Bornholmer Street with my friend, Wolfram Hülsemann, a young pastor from Berlin at the time. Behind us, there were people pushing their way through, just as you would see on the news about the fall of the wall.

Border Guards who were surprised to hear the news were standing by helplessly, rather than employing their typical gaze of self-gratification, seeming to have no idea of what would happen next. That alone was fascinating! One of us shouted at the border guard to open up the border, saying, "Open it up already! Schabowski just said we could all go through!" Then came the moment: after a while of impatient waiting, we just lifted the barrier without asking and pushed through to the West. It was so surprisingly

easy! The jubilation that permeated the scene was simply indescribable. Never again have I experienced something like that.

“Insane” was the word of the hour. The unbelievable had happened. The wall, an enormous monster made out of concrete and barbed wire, which had split Germany and Europe for nearly 30 years, had become all at once a monument.

From today's perspective, the fall of the wall may appear to some as the inevitable result of a long development. But, at that time, hardly anyone would have expected such a rapid end of the GDR, or even dared to dream of it.

However, a few people in well-informed circles had known already for quite some time that the GDR was about to collapse: Egon Krenz, the successor of Erich Honecker, asked some experts to write a report in autumn 1989 in order to provide an unadulterated picture of the economic situation. Among these experts were the Minister of Foreign Trade, the Minister of Finance and the planning boss of the GDR.

This report showed what the GDR leaders would have been expected to already have known for a long time. The country had been bankrupt for years and it lived on its last reserves. But an enormous effort was made to keep this reality from both the population and themselves.

The report had forecast that if the state was to put the brakes on further debt by the year 1990, its citizens would have to lower their standard of living by roughly 25 to 30 per cent.

Additionally it forecast that such an enormous fall in standard of living would mean that the GDR might actually become ungovernable.

The authors of the appraisal suggested many drastic measures. One of these was to raise enormous amounts of credit, which should be taken up with the Federal Republic of Germany. Another suggestion was to restructure the labour force potential to eliminate disparities between productive and unproductive forces. In a nutshell, many people would have had to lose their jobs!

The regime would have been forced to completely tear down the crumbling front of its social benefits and apparently full rate of employment. What could possibly have kept the population satisfied if that were to happen?

So why am I telling you this? On the one hand, because the economic disaster was also an important reason for the fall of the GDR regime, and on the other hand because some of those who today rave about the social achievements of the GDR obviously either do not admit or would rather not know how rundown the existing state of socialism was at that time.

The high expectations of the people immediately after the fall of the wall is the reasons for nostalgia. The expectations of the East Germans to their future free lives in a united Germany were certainly enormous in this exhilarating time. With the triumph over the SED-dictatorship and their rigid political conditions, the people naturally were expecting a rapid improvement of the miserable living conditions. The continuous deterioration of social and economic conditions had ultimately been a major catalyst for the peaceful revolution. Finally they asked themselves: why should we in Leipzig, Rostock and Dessau be worse off than the Germans in Dortmund, Hamburg, Mulheim? The people in the East, of course wanted to live as comfortably as those in the West as soon as possible - and who could blame them?

Kohl's concept of "blossoming landscapes" incorporated the expectations of the people at that time. But already in the first years of reunification, this beautiful symbol was overtaken by reality. The East German industry had been badly run down by the SED, so that only in exceptional cases were restorations successful or even logical. The conglomerates had been dismembered, many of the hopelessly outdated plants and equipment were dismantled and liquidated. Unemployment exploded, and beginning in 1990 around one third of East German jobs were lost. The effects of economic transformation on the people in eastern Germany were without a doubt dramatic. Its sheer scale at times goes unrecognized today in the West, because for most of West Germans the reunification changed little – but for us in the East, however, everything changed – and it happened practically overnight.

We in the East had to reorganize our lives. Just consider that today about 70 percent of East Germans pursue different professional careers than before 1989. Preparing oneself personally and productively to deal with this rapid change was truly a great achievement. But there were also several that had no opportunity to start all over again in order to benefit from that. I therefore understand some frustration. It can be quite difficult to give compensation for failed life plans. A person who was thrown out onto the street after the end of the GDR, who then had to move from one job to the next and yet could never break into the real labor market, perhaps because he was apparently too old, has a right to be viewed differently than someone who had more luck or success. This means that today we should take these personal stories seriously and separately, appreciate them, and take political decisions as sophisticated as possible. Negative generalizations are at least unpopular, but we still need to talk to each other much more. The East German revolutions in 1989 and the 3rd of October, 1990 have achieved some fundamental basis for society: unity, justice and freedom. These commitments that the German national anthem proclaims, in a country that was divided for more than forty years, and where freedom, democracy, and human rights, for decades denied to millions of people, have become designated principles of a reunited country. Beyond the tangible interests and expectations that have connected many Germans with the reunification, these are the real, substantial achievements of the 3rd of October 1990.

In the common, one-sided fixation on the material aspects, the economic differences between then and now, we lose sight of the unifying themes of 1989/1990. To rediscover them does not mean to underestimate the economy. On the contrary, also in this field, we have every reason to acknowledge the great performance of the past two decades in both parts of Germany. Nowhere else and never before has one part of a country helped another part to such a comparable extent. Each investment is an investment in our common future. Therefore, I recommend again and again, that we should tell the less commonly told but numerous inspiring success stories, instead of just complaining about the undeniable vices. That the world lies in a sorry state is a complaint which, as Kant once remarked, is as old as history. But no one has yet been able to prove that pessimism could change this state of affairs. Optimism, I argue, is a resource that we should seek to cultivate and promote.

The German reunification was a good thing, and it was the right thing; it was also politically necessary and appropriate at the time. Of course, in 1990, when we civil-rights activists found ourselves as members of the government, we had a different opinion about the development in the GDR. At first, we had dreamt about rebuilding the former GDR in a way that would allow us to become respected partners in negotiations about cooperation on projects, such as reinforcing German cooperation, a confederation or even unity. But then we realized just how broken down the GDR really was. Thousands of people would have fled the country, had we delayed the reunification. It is doubtful whether or not West Germany would have been able to cope with such a migration. In any case, it would have spelled the end for the GDR, both economically and politically. It quickly became apparent that our European neighbors would not have tolerated a permanent destabilization.

On the inside, the German unification came through the monetary union in the summer of 1990, and the unification treaty. It was not an easy path to take, partly because of the short amount of time available. On top of that, the political, economic and social structures of the two states were exact opposites. The change that people in the East have worked towards and have realized was fundamental. They went from a socialist dictatorship to a parliamentary democracy; from a centralized, state-directed economy to a social market economy. It was a difficult transformation.

The catastrophic condition of the GDR's economy was the source of that difficulty. However, it was only after the SED-rule had been overcome that it was possible to see the true economic, social and moral decay of the country. The difficult economic situation of the country intensified sharply in the 1980s alone. All around the country, roof tiles fell off houses, the queues snaking out of stores grew longer each day, and the infrastructure was ailing hopelessly... it is difficult to even put it into words. There hadn't been any investments in the industries for years, and on top of that, the country had accumulated massive amounts of debt. In order to maintain the high government subsidies on housing, basic foods, and transportation; investments in other areas had to be lowered even more. As a consequence, industrial production rates decreased continuously since 1984. On average, the technical equipment was at around the same standard as in the 1960s. More and more workers

were hired to compensate for the low-quality machinery and equipment. This practice explains the general lack of available labor in the GDR, which today is often described as a positive feature of the country.

The supply situation of the population worsened continuously and persistently. Sarcasm was the only way to cope with this situation, as illustrated by the following joke: a woman walks into a store and asks the employee: "Do have carry curtains?" He answers: "We have 'no towels', 'no curtains' are sold next door." Similar jokes were widespread all around the country, in all kinds of variations. But the experiences people had in their daily lives exceeded even the best joke.

However, we hoped and expected everything to become faster and easier after 1990. But many problems in the process of reunification could not have been foreseen, and mistakes have been made in these hectic times. There is no doubt about that: Amongst the miscalculations were, for example, the over-valuation of the productivity level in the GDR, and the underestimation of the need to rehabilitate the East.

We could have avoided immediately cancelling the debts of all businesses, which were unrecoverable anyway, or to postpone investments under unclear legal circumstances (a keyword would be here "return before compensating"). Also, we could have avoided financing major parts of the reunification through the Western social systems.

On the other hand, nobody could have foreseen the breakdown of the Eastern trade system, which had tremendous repercussions on the Eastern German economy. The boom of investment by Western German companies into the East has also yet to occur.

The real as well as the alleged mistakes of the reunification process have been presented over and over again. The successes, for which our neighbors actually envy us, are hardly recognized.

And indeed, there are positive things to talk about. Concerning the rates of growth and productivity, the East has made considerable progress. The infrastructure is equivalent to that in Western Germany. The telecommunication network which has been totally neglected is now one of the most advanced in the world. The supply of public goods like education and health no longer differs from that of Western Germany. Old buildings, dilapidated before, are now fully refurbished and modernized. Indeed, we can talk about the rebirth of historic parts of our cities. Furthermore, the childcare system for young children under three is the most advanced in the republic. The tremendous environmental pollution witnessed towards the end of the GDR has been stopped. And in fact, there are boom towns like Potsdam, Leipzig, Dresden, Greifswald or Jena. These cities can compete with almost any Western city today.

However, the progress becomes very clear when we compare the development in the new Federal states with our Eastern European neighbors, who had a comparable political and economic starting point in a similar time

frame. In these countries that do not take a Western lifestyle as a benchmark of their progress, the success stories are much more appreciated. Others would like to have our problems – not to mention the high consumption level of our new federal states, their exemplary infrastructure, purchasing power, and high level of social services.

To see the German reunification as a success story does not mean we should ignore the problems that still persist. In this regard, we should be more conscious that we are talking about the remaining effects of Germany's division, not about the consequences of its reunification.

I do not want to conceal that we still face many problems. The Eastern German economy is not independent after its radical deindustrialization, and continues to draw upon financial transfers. Also, very few headquarters have moved to Eastern Germany. Often, the country is regarded as an “extended workbench” of the West. Despite a tremendous exodus, the unemployment rate is twice than that of the West. So, many things remain to be done, and many goals have yet to be achieved. Despite all these problems, we cannot forget where we stood in the year 1989, and where we are today. The building performance we have achieved is doubtlessly enormous and without comparison.

The expectations are even more prominent than the progress. Again and again the question of the “completion of the inner unity” has been raised, we talk about the “wall in people's minds”, between East and West. We are confronted with surveys, telling us; who has been longing for freedom, who wants the wall to be put back up, who is watching more TV, and where there are more car accidents. Justifiably, the counter question is also asked; what are we expecting? Complete unification? East and West, united at last, real bosom buddies? This belief is as anti-historical as it is naive. There is nothing so good that it cannot still be improved upon. But unity does not mean uniformity. Uniformity does not exist, not in either of the two, East or West. And let us be serious here, that is not even what we want. Just as there have been differences between Rhinelanders and Bavarians for centuries, there are still disparities between Saxony and Mecklenburg. This cannot seriously be all about substituting this traditional and reclaimed diversity in Germany for simple uniformity.

Nevertheless, a feeling of resentment developed between East and West Germany because the euphoria of the wondrous years after the fall of the wall have been replaced with the hardships of everyday life. We knew well, not only that the Eastern and Western economic and social outputs had become dramatically different, but that it was also because we had lived in two completely different worlds and were shaped and encouraged by completely different experiences. Whoever criticizes the subsequent differences in attitude towards certain questions, misunderstands the effect that the wall and its barbed wire had. When one considers their initial starting point, the Germans have gone through a considerable learning process in this area during the last twenty years. Actually, we did not achieve all of our desires during the process of overcoming socialism and the emotional consequences

of division, but we are certainly further along today, compared to what people in the middle of the 90s thought possible.

Ladies and Gentlemen, let me conclude with a short overview of the current economic situation: the present financial and economical crisis is still not over. This year we will have to deal with a rise in unemployment and bankruptcies in Germany. It cannot be foreseen yet, as to whether the East or West of Germany will be more affected by it. As the eastern economy relies less on export, it might fare better in the economic crisis. The flexibility of the wage agreements in the East is more distinct than in the west. Finally, one can generally say that the people in the East might be more laid back about the crisis than the West Germans, as have had very significant experiences with economic crises since the 1990s and have proven themselves. However, on the other hand it is feared that large enterprises, which have their head offices and their main plants in the West, rather consider closing their locations in the East. The East Germans also have less financial reserves, to which they can fall back on in the event of a crisis. The further developments therefore cannot be foreseen and as a former reverend I am by no means a prophet on such accounts. However, let me give a message of hope. Namely, hope that the East and West will increasingly grow together by resisting the crisis together.