Summary

Curtain Call

The future of East Germany seemed bright soon after the historic change of 1989. The first Prime Minister of Mecklenburg-Westpommerania aptly expressed the prevailing optimism, calling his State ‘a bridge to the north and a gateway to the east.’ His location, however, proved to be largely disadvantageous, as the present study shows. The bridges and gateways to the North and East did materialize, but too often the territory of Mecklenburg-Westpommerania is merely used as a transit route. Businessmen from the West bypass the area and invest in Central and Eastern Europe, while tourists from the North make landfall at the ferry ports of Mecklenburg-Westpommerania and continue their journey to the South. Mecklenburg-Westpommerania is among the new Federal States with the most problems. In some reports, it has even been called Germany’s ‘poorhouse’. This is a gross exaggeration; real poverty cannot arise in this social welfare state. Even so, unemployment is chronically high, the economic dynamics very weak, and many people are no happier now than they were before the transition. One of the main aims of this study was to find out why things are not going as well in Mecklenburg-Westpommerania as elsewhere and how this outcome has been influenced by the development of the area prior to the transition.

The ongoing discussion in the scientific literature about the transformation of Central and Eastern Europe revolves around three questions: What was the best course for reform? How much does the legacy of the spatial and economic structure explain? And how much influence can be ascribed to the role of regional characteristics such as relative location? Cséfalvay, a regional geographer, clearly advocates a regional-science perspective on the transformation. His basic assumption is that the regional development in the post-communist period is in part determined by developments in the communist and pre-communist era. His standpoint is that the old centre-periphery contradictions (predating communism) are making a comeback.

Cséfalvay’s theory and methodology form the point of departure for the present study. It investigates whether the spatial development of the research area in three consecutive periods – pre-communist, communist, and post-communist – can be explained by using the spatial models that Cséfalvay worked out for these periods.

A second point of departure for the present study is the assumption that the spatial development of an area may be largely explained by the role of actors and decision-makers operating at different scales. To that end, expanding upon Hamilton’s model (of communist decision-making in practice), two conceptual models were designed (one for the communist period, the other for the post-communist period). Those models served to structure and operationalized the investigation.
Prior to the Second World War, the research area was a relatively poor and backward part of the German Empire. It played a modest role in the world economy. In Wallerstein's terms, it belonged to the semi-periphery. The spatial structure was mainly determined by agriculture, and tenure relations had led to major differences. Large landownership predominated. For a long time, the administrative and economic elites were one and the same in Mecklenburg and Westpomerania, which gave the population little scope for any initiatives. The nobility successfully kept large-scale industrialization at bay. Many inhabitants left early in the 20th century, moving to industrial centres elsewhere in Germany or crossing the ocean to the New World. On the eve of the Second World War, the level of services in the research area was very modest indeed.

In Figure 12.1, we attempt to depict this situation according to Cséfalvay's ideas. Until the Second World War, Germany's economic core area lay along the axis running from the Ruhr Area to Upper Silesia. That area included what is now the south of Eastern Germany, though this was not the most important part of this industrial zone. Although Berlin was the capital of Germany, it was not the economic heartland. It could be considered a secondary centre. The primary centre lay outside the territory of what was later the GDR on the 'Rhine Axis', centred on the Ruhr Area. Mecklenburg and Westpomerania belonged to Germany's periphery.

After the Second World War, the Soviet Union was able to expand its hegemony toward the west. A direct result of the Cold War was the creation of the GDR. The country's existence would have ended after just four years if the 1953 revolt had succeeded, and the country's lifespan would have been limited to 12 years if the Wall had not been raised in 1961. The Wall signified that the citizens of the GDR were not free in a physical sense; because of the repression, their mentality was not free either, making it virtually impossible to discuss the physical restrictions openly. We should not forget that many people were actively committed to the ideal of a better and 'different' Germany in the early years of the GDR as a reaction to the fascism of the Third Reich. Disappointment in actual developments in the GDR deepened in the course of time.

The cultural relationship with West Germans (and thus also the linguistic kinship) gave East Germans a special position within the East Bloc. People listened en masse to West-German radio channels and watched West-German television; it was said that the population emigrated in the evenings. This made the population of the GDR less susceptible to communist propaganda.

The GDR was an artificial country that had to take shape within established bounds. The most important implication for the study area was the development of the port of Rostock. However, the most far-reaching consequence of the postwar political and military situation was the imposition of the Soviet Union's economic,
political, and social structures. The key element was the introduction of the planned economy, in accordance with the rules of the Soviet model of economic development, which emphasized an accelerated build-up of a producer-goods industry. This model was developed at the end of the 1920s under conditions specific to the Soviet Union at the time and was unsuited to the conditions prevailing in large parts of Central Europe (including the GDR). Indeed, the model ignored features characteristic of the GDR, such as the absence of natural resources and the presence of an advanced light-manufacturing sector. Certain sectors that were 'coincidentally' present did get due attention; shipbuilding, for example, was continued because this sector fit into the Soviet model and played a key role in the economic development of the entire East Bloc.

This Soviet model held out in the GDR till the very end; it was even maintained while its foundations were being undermined from 1985 on within the Soviet Union itself. The GDR's opposition to reform was mainly related to the influence exerted from the outside by another important party, the Federal Republic of Germany. Each of the two Germans had to continuously take the other as its example, and those in power in the GDR understood perfectly well that the only way to give any legitimacy to the continued survival of two German states was by introducing a different social structure. In 1989, there was a wide gap between reality and the imaginary world of the party elite. The 'socialism in the colours of the GDR' could only thrive under the guardianship of the Soviet Union; when the Soviet Union removed its support, the GDR came to a quick end. During the Cold War period, the GDR remained a de facto colony of the Soviet Union.

The gap between the GDR and West Germany kept widening in the course of time, mainly because of the disappointing results of the planned economy. The GDR had ended up in the outer area of the capitalist world economy. The economic structure resembled that of the Federal Republic in about 1960; till the end, the GDR's primary and secondary sectors were large and the tertiary sector small. Manufacturing was dominated by labour-intensive industries such as textiles and footwear, sectors that the West had already lost by the end of the 1980s because of competition from low-wage countries. In accordance with the Soviet model of economic development, the light-manufacturing sector was neglected in favour of heavy industry.

Like in the rest of the East Bloc, the GDR's economy was based on scarcity. The distribution of scarce goods was subjected to a conflict between disparate interest groups and decision-makers, as Hamilton describes in his model. This conflict had winners and losers: Soviet interests prevailed over those of the GDR. Within the GDR, the ideology (as safeguarded by the SED) won out, and national economic interests took priority over the development of backward areas. The level of economic growth was disappointing. The main consequence of the low
growth was a shift away from the standpoint that the North had to be industrialized in order to remove the regional differences within the GDR. But charity began at home; in economic terms, it was much cheaper to build upon the industrial tradition in the south of the GDR and make use of the infrastructure that was available there.

That was actually a good decision, given the circumstances of socialism as it existed then. In reality, socialism was able to compensate for the disadvantages of an uneven distribution of production by spreading most basic services unevenly. Wage differentials hardly existed, and there was no unemployment. With respect to the standard of living, there was thus a high degree of regional equality (though some refer to this as shared poverty). The North developed vigorously during the GDR period. It was only after the transition that the lack of major large companies turned into a disadvantage.

In the fictitious world of the plan economy, the GDR was one of the world’s strongest industrial states – at least on paper. However, the GDR could not insulate itself from the world economy any more than other countries could. The burden of debt to the Western world had risen steadily from 1970 on. Living standards could only be maintained through increasing improvisation. Soon after the fall of Honecker, the Communist Party leader, it was clear that the only way to prevent the country from going bankrupt was to accept a 20 to 30 percent decline in the standard of living in 1990.

The population had long realized how bad the economic situation was. They had watched their cities fall into decay and experienced first hand the run-down condition of the means of production and the poor quality of the consumer goods. The fact that reality was less promising than it was made out to be is also borne out in the present study. In Greifswald county, for instance, the number of newly completed dwellings was roughly the same as the number of dwellings that had to be condemned because of negligence and removed from the housing stock. Rural areas were confronted with a large outflow of young people to the city, which made it difficult to keep the agricultural sector operating.

The GDR regime was wavering in its policy on rural settlements. Its enforcement of the initial policy for central villages was unconvincing; eventually, that policy was replaced by the notion that each village should have some perspective for development. However, since the bankrupt state had no money to back up this idea, most villages were allowed to slip into decline unless a prosperous agricultural cooperative decided to step in. The moribund countryside was a manifestation of the overall stagnation of the GDR.

Some of the dissatisfaction can be discerned in the migration pattern of the GDR’s citizens. A clear signal at the national level was the massive outflow to West
Germany that took place until the Wall was raised in 1961. The migration from the countryside to the city was another signal, though at the local and regional level. The selective migration, usually comprised of the youth and people with a sense of initiative, was detrimental to the GDR. Up till 1961, roughly a quarter of the population of the GDR had moved to West Germany.

The spatial structure of the GDR at the end of its existence is depicted in Figure 12.2. This structure thanks its existence in part to the fact that after the GDR was created, it had to build up its own economic core area. In and around East Berlin, this was only possible to a limited degree, due to the fact that Berlin was partitioned. Nonetheless, that is where a large amount of industrial development took place in the GDR period. In addition, as capital of the centrally controlled state, East Berlin had a very special significance in the GDR. In that light, East Berlin may be considered as one of the core areas. The GDR expanded the preexisting industrial base in the south (lying on the old axis running from the Ruhr Area to Upper Silesia) and transformed it in accordance with the Soviet tradition into an area with large-scale heavy industry. Thus, we may distinguish a second core area, namely the industrial region Halle – Leipzig – Zwickau – Karl-M arx-Stadt – Dresden. As the other parts of the GDR had numerous firms of secondary importance, we may follow Cséfalvay and call this a developing region. This terminology also applied to the Rostock region. The rest of the research area remained in its peripheral position.

In record time, the communist states of Central and Eastern Europe collapsed in 1989. The actual cause was the failure of the Marxist-Leninist experiment of a command economy. For a few months after the peaceful revolution in the GDR, no one expected a rapid reunification of Germany. Yet the East-German population made it clear in many ways that reunification should take place as soon as possible. Chancellor Kohl subsequently took up the challenge, knowing that Gorbachev's position in the Soviet Union was weakening.

The introduction of Economic, Monetary, and Social Union on 1 July 1990 dealt a mortal blow to the economy of the GDR. The rapid introduction of the D-mark at parity, an unrealistic rate of exchange, made the majority of the companies unprofitable at one fell swoop. In fact, the GDR set a course toward reform that complied fully with the desires of those advocating a neo-liberal shock therapy. However, the introduction of the market economy went hand in hand with a strong participation of government in the form of an enormous injection of capital, which justifies the interpretation that a pseudo-market economy had been introduced in East Germany. Ten years after the change, the net value of the money transferred from West Germany was roughly 45 percent of the gross regional product of East Germany – a unique situation, totally unprecedented anywhere else in the world.
The results of this course of reform have been disappointing. Ten years after the transition, the actual rate of unemployment was much higher in East Germany than in most of the other countries of the former East Bloc. The German government of the time staunchly believed in the beneficial effects of the market. However, the rapid economic adjustment did not leave enough time for ‘incubation’: a period in which companies could build up strength (with Western help) so they would be resilient once they entered the world market. People had forgotten that it had taken decades for the Western world to make the transition to the postindustrial economy.

The destruction of capital was enormous, due to the course of reform and the way public corporations were privatized. The destruction affected not only physical capital (the manufacturing plant) but also social capital: large segments of the East-German workforce were made redundant. Many West Germans had an inaccurate image of the knowledge base, professional skills, motivation, and capacity to improvise of many East Germans.

The immense subsidies on new investments were too one-sided, being geared to the needs of large West-German companies. Many East Germans could not put up any collateral and therefore had a hard time obtaining loans to start up a company. Immediately after the introduction of Monetary Union, consumer goods started to flow from West Germany into East Germany – a welcome utilization of the current overcapacity in West-German industry. In the course of time, only part of that production capacity has been moved to the East.

One of the main problems of the East-German economy is the gap between productivity and wages. Wages in East Germany have risen sharply, partly under pressure from German trade unions and West-German companies, who feared the competitive position of a low-wage region in East Germany. Productivity in some economic sectors attained West-German levels (for example, in agriculture and processing industries). Nevertheless, overall productivity is roughly 60 percent of the West-German level, while the (gross) wage level is about 75 percent of that in West Germany.

Many East Germans perceived the chain of events during and after the transition as a wave of West-German colonization, and that is not surprising. Many lost not only their job but also their home due to the principle of ‘restitution instead of compensation’. For many East Germans, reunification was a humiliating experience, and it has led to an upsurge in psychological problems.

Though reunification was rapid, it did not prevent a massive migration (of about a million East Germans) to West Germany. The migrants were mainly young people
with initiative – just as in the years prior to 1961. It is an ominous sign that migration to West Germany picked up again after 1998. The change led to a ‘birth strike’ among East-German women. The birth rate has rebounded somewhat in the meantime, converging somewhat with the rate in West Germany. The population is ‘graying’ quite rapidly; in combination with the birth deficit of the 1990s, this could lead to what some would call a demographic crisis.

Could reunification have taken a different course? In hindsight, it might have been better if the GDR had been allowed more time to adapt to the new conditions so that the economy as well as the inhabitants of the GDR could get used to the new situation. That would have meant choosing to allow the GDR to exist a little longer with a clear perspective on reunification, for instance after four years. Naturally, this would also imply that radical reforms would have had to be started in the GDR (or whatever name would be given to this temporary state), as in the other ex-communist countries.

The alternative two-state model would have permitted wages to increase only gradually in order to give East-German companies a good competitive position on the world market. The great advantage of this alternative is that many more East-German firms would have survived the transition and many skilled East Germans would have been able to participate, thereby fostering a sense that the people themselves were actively involved in building up East Germany. Then new companies could have been started up by innovative East Germans to feed into the modernizing state sector.

Naturally, the temporary two-state solution would have had to overcome numerous obstacles. Nonetheless, its greatest value would have been that many East Germans would not have lost their self-esteem and that many would have been able to keep their job. Of course, the Federal Republic would have had to make a hefty financial contribution, for instance to prop up unprofitable firms for some time and to modernize the infrastructure. As it turns out, a large amount of money has gone into unemployment and other benefits, subsidized jobs, and marginally profitable investment support.

Indeed, things have turned out differently, and this study makes up the balance of the costs and benefits of the transformation for East Germany. Unemployment is very high and will remain so, and it is unclear what kind of locational advantages East Germany has to offer to investors. Reunification has also brought obvious benefits: a democratic political system, a state under the rule of law, freedom to travel, a modern infrastructure, and a large-scale renovation and modernization thrust in the cities.

Release from the restrictive bonds of state-imposed spatial planning has led to an
enormous residential suburbanization. A few villages around the town of Greifswald had practically died out by the end of the GDR era but have since shown spectacular growth. In contrast, a few settlements that had been privileged in the GDR period were confronted with a declining population after the transition. The major cities have lost many inhabitants through emigration to West Germany and through suburbanization.

Agriculture in Mecklenburg-Westpommerania has developed well, but there is little expectation of job growth in this sector. Tourism has risen sharply since the transition, but the limits to growth in this sector are coming into sight. Shipbuilding has already reached those limits as a result of the European Union's regulatory framework. The service sector has expanded greatly but has not been able to provide new employment for everyone who had lost a job in agriculture and manufacturing. Though the sector of small and medium-sized enterprise has grown considerably, Mecklenburg-Westpommerania lacks the large manufacturing firms that could support the economy and give the State a clear profile. As in the rest of East Germany, no self-supporting economic dynamic has arisen here.

The spatial structure of East Germany is depicted in Figure 12.3 as it was at the end of the 20th century. The centre of gravity of the German economy still lies outside of East Germany. Berlin is once again the centre of government of Germany, but the capital has attracted few firms since the transition. However, the greater Berlin region could be considered as one of Germany's secondary centres. The same applies to the old core area of the GDR in the south of East Germany. There, economic dynamism in the cities is relatively strong, and unemployment is lower than in the rest of East Germany. This is also the case in Mecklenburg-Westpommerania, with the cities of Rostock and Schwerin as poles of attraction. The rest of East Germany is relegated to the periphery, though we may distinguish between the advantageously located western part – to the west of West Germany – and the disadvantageously located eastern part. The western part now benefits from the location and the radiating benefits of the secondary core areas; for the time being, the eastern part will have to cope with the strong competition of Poland and the Czech Republic, soon to be EU member states.

This observation implies a return to the spatial structures that had been in place prior to the Second World War – at least a return to their general contours. As yet, the regional differences are not exceedingly large, but they are increasing. That said, we should not fall prey to tunnel vision; the distinction between ‘Ossies’ and ‘Wessies’ is not the only way to see things. The differences between the citizens of Mecklenburg those of Saxony are not as great as those between East Frisians and the inhabitants of Bavaria – and that was the also true in the past.

This study demonstrates the importance of various contexts and scales. At the
highest level of analysis (the whole of East Germany), developments were mainly influenced by the path of reform and the pace of reunification, while at the regional and local level, the factors of relative location and legacy structures gave the explanation of observed spatial inequality an added dimension.

In order to get East Germany off the ground, simply introducing a market economy and a new institutional environment was not enough. Insufficient attention was given to the specific conditions and characteristics of East Germany. It will be necessary to find a way to get the endogenous development of East Germany moving. But judging from how Germany's political scene looked at the end of 2002, things have got off track. The German government is forced to keep living standards in East Germany artificially high by maintaining a sizeable stream of subsidies. Overall, one could say there is stagnation in both thought and action, and here a curious parallel springs to mind – that of the Honecker regime in the last years of the GDR. There is a difference, of course: now, the German state is not bankrupt, though its economic problems are significant. It should be kept in mind that the stagnating development in East Germany is also related to the structural problems of Germany as a whole (an inflexible labour market, the excessively high cost of health care, an expensive system of pensions, etcetera).

East Germany should be given a special status. For instance, it could be designated as a region where experimentation with new labour relations is encouraged. Or it could offer companies major tax advantages, a measure that would primarily have to benefit small and medium-sized innovative firms. Such a measure is not allowed under current EU regulations, but one wonders whether it is time to revise the EU's regional policy with a view to the imminent expansion of the Union. As we know, one consequence of the expansion will be that regions like East Germany will receive less money – if any at all – from European sources. The expanded EU will have to work out a new set of instruments for the underdeveloped regions in the present member states.

The negative image of East Germany is a persistent problem. It is a region that is associated with the past. This problem is particularly acute in Mecklenburg-Westpomerania, and within the State especially in Westpomerania. At the county level, the differences between the western and eastern parts of Mecklenburg-Westpomerania have become quite large. Basically, the regional policy pursued by the State government comes down to the spatial distribution of subsidy flows, and there is too little room for differentiation within that policy. There are considerable problems in the rural interior of Mecklenburg-Westpomerania due to the massive out-migration of young people. Many out-of-the-way villages are inhabited by the elderly and alcoholics, to put it bluntly. The rural areas surrounding the cities are doing well, but these circles will have to become much wider. An all-out effort must be made to draw more jobs to Mecklenburg-Westpomerania and specifically to the areas with a one-sided economic structure.
It is not easy to improve the position of peripheral regions in a market economy. Therefore, policy-makers have to be realistic and should not pretend that Mecklenburg-Westpomerania lies at the centre of the world. Nor should they exaggerate the region’s good points and locational advantages. Yet the region does have an abundance of natural beauty that deserves to be discovered by people outside of Germany. But agriculture is still too one-sided, being largely limited to common crops such as cereals, fodder crops, and rapeseed. Obviously, there is more money in horticulture and organic farming. Furthermore, universities and technical colleges could be used more effectively as resources for a knowledge-based industry. And it should be made more widely known that universities in East Germany have a lower enrolments than those in the West, making it more enjoyable to study in the East.

Now that it has been decided that Poland and the three Baltic states will join the European Union on 1 May 2004, one would expect the Baltic Sea to play a greater role in the commercial life of Europe. The ports of Mecklenburg-Westpomerania stand to benefit from this. It is too early to say what other effects the eastward expansion of the EU will have on Mecklenburg-Westpomerania. One advantage might lie in the existing knowledge about countries of the former East Bloc; given that knowledge base, the region could reinstate some of the old relationships. Survival must be possible, though it will surely not be easy.