# German Unification and the Union of Europe

*The Domestic Politics of Integration Policy*

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# 2 Unification and "Germany in Europe"

> Man weiß, wie man aus Kapitalismus Sozialismus macht, aber nicht wie aus Sozialismus soziale Marktwirtschaft wird.
>
> Bernhard Vogel (Christian Democratic Union), Prime Minister of Thuringia[1]

Observers followed the twists and turns of reform communism in Moscow and in Eastern Europe during the 1980s with keen interest, but no one, least of all in West Germany, thought to connect them with the imminent demise of the Berlin Wall. Yet within three weeks of November 9, 1989, unification – an existential goal transformed by *Ostpolitik* into a heartfelt but largely barren mantra of West German politics – vaulted to the top of the national agenda. The Bonn government, motivated largely by a belief system built around the social market economy and European multilateralism, adopted a unification policy of rapid institutional transfer.[2] However, by aiming at nothing less than the wholesale extension of the West German model and its supranational linkages to East German soil, the government's policies produced severe hardship in eastern Germany, which eventually resulted in a significant political challenge to the passive consensus in Germany about the domestic model of political economy and the larger goals of European integration.

[1] "We know how to create socialism out of capitalism, but not how a social market economy develops out of socialism." As quoted in "Fundsache," *Frankfurter Allgemeine Zeitung*, December 5, 1992, 3.

[2] Gerhard Lehmbruch, "Institutionentransfer: Zur politischen Logik der Verwaltungsintegration in Deutschland," in Wolfgang Seibel, Arthur Benz, and Heinrich Mäding, eds., *Verwaltungsreform und Verwaltungspolitik im Prozeß der deutschen Einigung* (Baden-Baden: Nomos Verlagsgesellschaft, 1993), 41–42; Wolfgang Seibel, "Innovation, Imitation, Persistenz: Muster staatlicher Institutionenbildung in Ostdeutschland seit 1990," unpublished paper, Universität Konstanz, 1995; and Christopher Allen, "From Social Market to Mesocorporatism to European Integration: The Politics of German Economic Policy," in Michael Huelshoff, Andrei Markovits, and Simon Reich, eds., *From Bundesrepublik to Deutschland: German Politics After Unification* (Ann Arbor: University of Michigan Press, 1993), 61–76.

## Formal unification, November 1989 to October 1990

The story of the how the Berlin Wall came tumbling down is well known. The near-term origins of this bizarre tale of civil courage and official myopia, leavened with a dash of farce,[3] lie for the most part in Kremlin politics. Although the regime in East Berlin possessed the wherewithal to replicate the Chinese government's response to the Tiananmen Square democracy movement, which had been carried out with deadly force only five months prior, it chose carrots and sticks over tanks when the scale of its isolation within the international socialist order became apparent.

Yet to appreciate the profound disaffection of East German citizens with their self-appointed leaders – in short, to explain why they ultimately rejected socialist carrots in favor of capitalist bananas – one must look to domestic factors. By the end of the 1980s, the Eastern bloc's flagship economy was on the verge of collapse, its reputation as "a world-ranking industrial country"[4] notwithstanding. Four decades of socialist economics had created a catalogue of crippling socioeconomic ills that would plague the region long after the political superstructure had been forced from the scene: outdated capital stock and production techniques; overstaffing in both industry and administration; sectoral imbalances;[5] deficient public infrastructure, particularly in transportation and telecommunications; dysfunctional incentives for managers of state-owned enterprises, would-be entrepreneurs, and workers; a severely degraded environment; and a mountain of foreign debt.[6]

Unlike many of its allies, which had embarked on the arduous path of

[3] Owing to miscommunication among Politburo members, a senior Communist party official announced during an evening press conference on November 9 that the GDR had opened its borders, including those in Berlin, and within hours, "the peaceful storming of the wall" was on. Manfred Görtemaker, *Unifying Germany, 1989–90* (New York: St. Martin's Press, 1994), 88. See also Elizabeth Pond, *Beyond the Wall: Germany's Road to Unification* (Washington, DC: Brookings Institution, 1993).

[4] Ian Jeffries, "The GDR in Historical and International Perspective," in Ian Jeffries and Manfred Melzer, eds., *The East German Economy* (London: Croom Helm, 1987), 1.

[5] This included an underdeveloped service sector, an oversized agricultural sector, and an industrial sector dominated by huge state monopolies (*Kombinate*), with small- and medium-sized firms notable by their absence. On the GDR economic system, see Gert Leptin and Manfred Melzer, *Economic Reform in East German Industry* (Oxford: Oxford University Press, 1978), and Mike Dennis, *German Democratic Republic: Politics, Economics, and Society* (London: Pinter Publishers, 1988), chs. 4–5.

[6] Jarausch estimates the GDR's total foreign debt at 34.7 billion Ostmark in 1987, which represented a fifteen-fold increase over the level obtaining in 1970. Merely servicing the debt by the end of the 1980s took two-thirds of annual hard currency earnings, and further distorted planning, investment, and export decisions taken by the SED regime. Konrad Jarausch, *The Rush to German Unity* (New York: Oxford University Press, 1994), 99.

reform earlier in the decade, the GDR remained true to socialist orthodoxy right up until the bitter end. The dismissive attitude toward Gorbachev's reform program was captured by Kurt Hager, Socialist Unity Party (SED) Central Committee Secretary for Science and Culture, who quipped, "If your neighbor chooses to rewallpaper . . . his house, would you feel obliged to do the same?"[7] East German elites were lulled into a false sense of security, in part by their own success in demoralizing and demobilizing citizens with a highly effective internal security apparatus, the Staatssicherheitsdienst (Stasi), and an official policy of exporting dissidents to the Federal Republic.[8] Thus, the tepid calls from below for reform up through the late 1980s were inaudible to the SED leadership, hunkered down in the posh, insulated residence compound at Wandlitz just outside East Berlin. Their comfort and complacency were shattered by the swelling ranks of peaceful protesters, who took to the streets in earnest in the fall of 1989.

### *The view from the West*

Over the course of 1989, West Germans observed the great drama unfolding across the Elbe with interest and hope, but not much capacity to influence events. The building confrontation between the SED and its domestic opponents took on added urgency in Bonn as the number of East German refugees (not to mention ethnic Germans from Eastern Europe) entering the Federal Republic swelled into the hundreds of thousands, each entitled by law to citizenship.[9] In early November, Kohl issued an extraordinary appeal to East Germans to stay in their country and work for change: "We want them to lead their lives and find their happiness in their own traditional homes."[10]

Domestic externalities were less significant in concentrating the minds of Bonn politicians than emerging ramifications at the international level. Bonn had to walk a thin tightrope. On the one hand, the government could not sit in silence as demonstrators, chanting "We are

7 As quoted in Görtemaker, *Unifying Germany, 1989–90*, 49.

8 See Görtemaker, *Unifying Germany, 1989–90*, 53, 57; and Albert Hirschman, "Exit, Voice, and the Fate of the German Democratic Republic: An Essay in Conceptual History," *World Politics* 45 (January 1993), 173–202. Jarausch estimates that between 1961 and 1988, a total of 616,066 East German refugees left the country; of these, a little over 380,000 were granted official permits to leave, while 29,670 were "bought free" by the Federal Republic at about DM100,000 per head. The rest escaped, either over the inner-German border or via third countries. Jarausch, *The Rush to German Unity*, 17.

9 During the calendar year 1989, just under 350,000 people left East Germany for the Federal Republic; they represented over 2 percent of the total GDR population.

10 Jarausch, *The Rush to German Unity*, 23.

the people!" (Wir sind das Volk!) and demanding basic human rights, were set upon by GDR security forces armed with water cannon, truncheons, and police dogs. On the other hand, Kohl's government could ill afford to do anything that might provoke a lethal crackdown by the GDR regime. Nor could it openly raise the prospect of unification, even indirectly, since this would almost certainly undermine Gorbachev's already precarious political position in Moscow.

On November 8, in a state-of-the-nation address to parliament, Chancellor Kohl called for an all-German dialogue, and pledged a comprehensive assistance package if the SED relinquished its monopoly on power, allowed the formation of independent political parties and groups, and provided for free and fair elections. Bonn politicians on both the left and the right consistently framed any possible road to unification in terms of the self-determination of the East German people within a pan-European settlement of the Cold War.

### *The politics of unification: domestic imperatives*

Although there was no doubt in anyone's mind after November 9 that unification was now firmly on the agenda, the time-frame was still measured in years, perhaps even decades. For the West Germans, a gradualist approach to unification seemed especially wise in light of the prevailing uncertainty about Moscow's reaction. For the SED, the attractions of gradualism were many: an extended lease on power and its perquisites; a continuation of the East German experiment with socialism; and time to manage and ultimately contain opponents of the regime, whose numbers were growing daily. Yet by the end of November, developments in East Germany unexpectedly began to push both governments off their preferred path.

Within two weeks of the wall's collapse, demonstrations in the GDR registered a marked change; chants and banners proclaiming "Wir sind das Volk!" were crowded out by those asserting "Wir sind ein Volk!" (We are one people!). Part of this can be traced to demographic changes in the composition of the demonstrators. As the original participants – young, university-educated, and idealistic – were joined by the GDR's previously silent working class, the demands on public display shifted to reflect more impatient, material concerns.[11]

[11] These had no doubt been strengthened by increased contact with the Federal Republic. Although the entire GDR population had enjoyed access to West German television, vicarious experiences of the West could hardly compare to being there. In the first week after the collapse of the Wall, 9 million East Germans visited the Federal Republic, taking back with them sights, sounds, and consumer purchases that for many only

The failure of gradualism lay ultimately in the almost preordained failure of GDR reformers both inside and outside the official apparatus to develop a socialist alternative to the Federal Republic. The abortive search for a "Third Way" – alternately described as socialism with a bottom line or capitalism with a human face – was intended to stave off unification by salvaging unique and valued components of the East German economic model and, it is no exaggeration to say, of East German identity: solidarity, community, security, equality.[12] In the end, the attempt to chart a path between western capitalism and eastern communism grossly overestimated the stamina and patience of average citizens, who were interested not in abstract critiques of capitalism but in tangible, rapid improvements in their standard of living. GDR reformers failed to win a West German commitment to underwrite what officials regarded as a play with no clear script, ending, or purpose.

The Bonn government, confronting an unremitting flow of East German refugees into the country and sensing that the international window of opportunity could slam shut at any moment, soon was compelled to adopt a more direct approach to the reopened German Question, an approach that gained in confidence and direction as the reform movement in East Germany faltered and the regime began to teeter on the brink of collapse. Kohl seized the political initiative on November 28 with his "Ten-Point Plan for German Unity," which outlined the short-term objective of a "treaty community" (*Vertragsgemeinschaft*) between the FRG and GDR. Kohl proposed the subsequent creation of "confederative structures" linking the two countries, which would later culminate in formal unity under a European umbrella. The Ten Points elicited worried statements from abroad, skepticism from important figures in the Social Democratic Party of Germany (SPD), and outright opposition from the Greens, who were especially enamored with post-Stalinist, socialist experimentation in the GDR.[13] Kohl's statement struck a chord with East German citizens, whetting their appetite for rapid change.

In early February 1990, Bonn received firm indications that Moscow would not necessarily insist upon neutrality as the price for German

strengthened their aversion to post-communist socialist experimentation. The most direct route to happiness was unification. And who can blame them?

[12] For a penetrating discussion of this exhilarating yet ultimately sterile discussion in East German intellectual circles, see Jarausch, *The Rush to German Unity*, ch. 4. As he concludes on p. 93, "Conceived as antipolitics rather than politics, the Third Way agenda was clearer on what it opposed than on how to reach positive goals." See also Phillip J. Bryson and Manfred Melzer, *The End of the East German Economy: From Honecker to Reunification* (New York: St. Martin's Press, 1991), 99–112.

[13] See Andrei Markovits and Philip Gorski, *The German Left: Red, Green, and Beyond* (Oxford: Oxford University Press, 1993).

unification, and immediately initiated consultations with the Bundesbank over the technical requirements of currency union and complete economic integration; a basic framework for German economic, monetary, and social union (GEMSU) was in draft form by mid-February.[14] Meanwhile, Kohl threw himself into the task of forging a political mandate for unification, with his eye on the first ever democratic national elections in the GDR, held on March 18. Establishing formal links with newly reconstituted political parties in East Germany, many of which were tainted by prior collaboration with the old regime, the Chancellor and his ministers sought to transform the March 18 elections into a referendum on unification.[15] The Social Democrats, led by Oskar Lafontaine, struck a somber and oftentimes gloomy tone, warning of the dire economic and social consequences of unification for both West and East Germans, which left the field wide open for Kohl's upbeat (though ultimately illusory) vision of a painless path to a united, prosperous, and internally harmonious Germany.

The election results of March 18, in which the East German SPD suffered a stunning defeat at the hands of the Alliance for Germany (a coalition of parties linked to the Christian Democratic Union/Christian Socialist Union [CDU/CSU] in West Germany) and the Alliance of Free Democrats, sealed the fate of the German Democratic Republic. The East German electorate voted unambiguously for markets, democracy, and unification: "a ringing endorsement for the social market economy."[16] No longer was it a question of *whether* unification would take place, but when and how.

Clear differences of opinion within government and expert circles over the pace of economic unification were pushed to the background in the face of international and domestic pressures for rapid, decisive action. Those counseling gradualism, including the Bundesbank, financial interest groups, and many leading economists, argued that a rush to economic and monetary union, particularly one built on a currency conversion rate of parity, would create insurmountable adjustment problems for East German industry, leading to mass regional unemployment and a destabilization of the West German economy.[17]

[14] See David Marsh, *Germany and Europe: The Crisis of Unity* (London: Heinemann, 1994).

[15] West German political parties and interest associations moved quickly to establish an operating presence in the GDR. See Bernhard Boll, "Interest Organization and Intermediation in the New Länder," *German Politics* 3 (April 1994), 114–28.

[16] Jarausch, *The Rush to German Unity*, 127.

[17] For an excellent overview of the debate among economists over currency union and economic integration, see Michael Kreile, "The Political Economy of the New Germany," in Paul Stares, ed., *The New Germany and the New Europe* (Washington, DC: The Brookings Institution, 1992), 68–71.

Leading figures within the government, above all the Chancellor, believed that only a credible offer of economic hope could ease the flow of immigrants and avert a total collapse of the GDR. Government politicians were confident of the ability of the West German economy to play the role of regional "locomotive" for the east, and they believed that the transition to a market economy in the east, although certain to be accompanied by upheaval and dislocation, would be accomplished in a very short period of time. The government's "social market optimism" was encouraged by an unwillingness on the part of the West German public to accept tax increases to pay for unification; Kohl's message to the electorate throughout 1990 was that economic growth would generate increases in tax revenues sufficient to cover the costs.

The State Treaty (*Staatsvertrag*) establishing GEMSU, which came into effect on July 1, has been described as "a manifesto of the German ... social market economy."[18] The treaty stipulated that German economic, monetary, and social union would be established on the principles of "private property, competition, free prices, free movement of labor, capital, goods, and services, as well as labor legislation and a social security system in line with these principles."[19] The treaty text laid out the legal framework for currency union, including a lattice-work of conversion rates that bore the mark of the Bonn politicians, not the economists: 1:1 for wages, salaries, and pensions; a three-tier system of conversion rates for cash and savings;[20] and 2:1 for other financial assets and debts.

The *Staatsvertrag* provided for the retooling of GDR social services to conform to the West German model, and addressed myriad other areas, including trade, GDR fiscal reform, and West–East budgetary transfers. And at the heart of the treaty was a financing arrangement to cover the costs of unification: a DM115 billion German Unity Fund (*Fonds Deutscher Einheit*) for the period 1990–94. The federal government agreed to contribute DM20 billion, with the remainder financed by public sector borrowing. Debt servicing was to be shared between the federal government and the old Länder, with the latter picking up half the costs.

[18] Rolf Hasse, "German-German Monetary Union: Main Options, Costs, and Repercussions," in A. Ghanie Ghaussy and Wolf Schäfer, eds., *The Economics of German Unification* (New York: Routledge, 1993), 35.

[19] Otto Singer, "The Politics and Economics of German Unification: From Currency Union to Economic Dichotomy," *German Politics* 1 (April 1992), 82.

[20] Children up to the age of 14 were allowed to exchange 2,000 Ostmark at parity; people between 15 and 59 years of age could exchange 4,000 Ostmark at parity; and senior citizens (60 and above) could exchange 6,000 Ostmark at parity. Amounts above these limits could be exchanged at a 2:1 conversion rate.

Both sides viewed the *Staatsvertrag* as a precursor to formal political unification. The West German constitution (*Grundgesetz*, or Basic Law) offered two routes to unity. Article 23, after defining the territories to which the Basic Law applied as of the date of inauguration, stated: "In other parts of Germany it shall be put into force on their accession." This article had been used to bring the Saarland into the Federal Republic in 1959, and it represented the least cumbersome approach to unification in 1990; the GDR, either as a whole or as separate state (Land) entities, would request accession to the Federal Republic. Article 146, by contrast, provided for a fresh start: "This Basic Law shall cease to be in force on the day a constitution adopted by a free decision of the German people comes into force."[21]

Not surprisingly, Article 23 appealed above all to the government coalition in Bonn and to the civil servants charged with steering the process, who maintained that neither country could afford a time-consuming, contentious, and potentially indeterminate political outcome when one of the parties to the negotiations was on the verge of collapse and clouds were gathering on the international horizon. They also linked the success of GEMSU to rapid closure on the legal-political front; economic integration could not be expected to function in an unsupportive or uncertain legal-political environment. Furthermore, in their eyes the FRG's political system had proven its worth, not just in comparison to the GDR's moribund brand of socialism but in absolute terms, and was therefore worthy of complete and total extension to the east. Finally, Article 23 was consistent with the outcome of the March 18 elections in the GDR, which they interpreted as a mandate for the rapid importation of the West German model to eastern Germany.

Article 146, on the other hand, appealed to many (though by no means all) Social Democrats and trade union leaders on both sides of the border, as well as to GDR reformers. Their assertions that East German citizens were interested in a new constitutional arrangement that took the best from both systems were undercut by public opinion polls circulating in early 1990 and ultimately by the March election results.[22] The new coalition government formed in East Berlin after the

[21] See Press and Information Office of the Federal Government, *Basic Law of the Federal Republic of Germany, promulgated by the Parliamentary Council on 23 May 1949 as amended up to and including 21 December 1983* (Wolfenbüttel: Roco-Druck GmbH, 1989).

[22] Public opinion polls taken in late February showed that 89.9 percent of West Germans and 84.1 percent of East Germans favored the adoption of the Basic Law as the constitution for a united Germany. See Görtemaker, *Unifying Germany 1989–1990*, 200.

election issued a statement on April 12 endorsing unification based on Article 23.

The final text of the Unification Treaty (*Einigungsvertrag*) was signed on August 31, and with very few exceptions effected a wholesale replacement of the GDR system by the West German, with some provision for brief transition periods. GDR demands for concessions ranging from the symbolic (new flag and national anthem) to the structural (a federal ministry of reconstruction, mechanisms for direct democracy, a constitutional right to work) languished on the cutting-room floor. Decisions on several unresolved issues, like the location of the capital, were postponed. After October 1990, there would remain a single institutional holdover from the GDR political economy: the Treuhandanstalt (THA), responsible for privatizing the state-owned sector.

On October 2, the GDR dissolved, and the five new Länder – Brandenburg, Mecklenburg-West Pomerania, Saxony, Saxony-Anhalt, and Thuringia – plus East Berlin acceded to the FRG on the following day (figure 2.1). With unification, the national parliament expanded to include individual and Land representatives from the east; the number of seats in the lower house (Bundestag) increased from 518 to 656, while the upper house (Bundesrat) expanded from 45 to 69 votes, 24 of which are controlled by the new Länder and Berlin (see table 2.1). The eastward extension of West German governmental arrangements was completed with little or no change to the basic federal principles underpinning the system.[23]

### *The diplomacy of unification: European parameters*

Moscow held the key to unification.[24] Europe, however, was no irrelevancy. The Bonn government confronted two challenges linked to its Community membership and associated obligations: first, to allay the concerns of its EC partners about unification and its implications for stability in Europe; and second – as rapid unification became a virtual certainty – to secure an EC accession for the soon-to-be former GDR in

[23] Klaus Goetz and Peter Cullen, "The Basic Law after Unification: Continued Centrality or Declining Force," *German Politics* 3 (December 1994), 5–46 at 33; and Heinrich Mäding, "Die föderativen Finanzbeziehungen im Prozeß der deutschen Einigung," in Seibel, Benz, and Mäding, eds., *Verwaltungsreform und Verwaltungspolitik im Prozeß der deutschen Einigung*, 319.

[24] There are several excellent accounts of the "2 + 4" negotiations, including Pond, *Beyond the Wall*, and Philip Zelikow and Condoleezza Rice, *Germany Unified and Europe Transformed: A Study in Statecraft* (Cambridge, MA: Harvard University Press, 1995).


Figure 2.1. Germany after unification.

Table 2.1. *Distribution of seats in the Bundesrat*

| German Länder | Population (million) | Seats after (before) unification |
|---|---|---|
| North Rhine-Westphalia | 16.7 | 6 (5) |
| Bavaria | 10.9 | 6 (5) |
| Baden-Württemberg | 9.3 | 6 (5) |
| Lower Saxony | 7.2 | 6 (5) |
| Hesse | 5.5 | 4 (4) |
| Saxony | 5.0 | 4 (0) |
| Rhineland-Palatinate | 3.6 | 4 (4) |
| Berlin | 3.3 | 4 (4)[a] |
| Saxony-Anhalt | 3.0 | 4 (0) |
| Brandenburg | 2.7 | 4 (0) |
| Schleswig-Holstein | 2.6 | 4 (4) |
| Thuringia | 2.5 | 4 (0) |
| Mecklenburg-West Pomerania | 2.1 | 4 (0) |
| Hamburg | 1.6 | 3 (3) |
| Saarland | 1.1 | 3 (3) |
| Bremen | 0.7 | 3 (3) |
| Total | 77.7 | 69 (45) |

*Note*: [a] Observer status; non-voting delegation.

a timely and mutually acceptable manner. Both involved German–EC negotiations at the constitutive *and* regulative levels. In a manner that echoed its domestic agenda for unification, Bonn sought to signal and secure the maximum amount of continuity in its relationship to the EC.

West and East Germans alike could hardly be faulted for wondering why their Western European neighbors did not share their elation about the prospect of unification. British prime minister Margaret Thatcher cautioned against a "rash" resolution of the German Question, while French president François Mitterrand described German unification as "a legal and political impossibility."[25] European reactions were especially pointed after Kohl's surprise announcement of his Ten-Point Plan. Skeptical foreign actions and statements, which continued into 1990, were received with anger and consternation in Bonn. As the ghosts of Germany's past roamed the continent in late 1989 and early 1990, political elites both inside and outside the Federal Republic sought refuge in European integration.

Bonn's emphasis on the European dimension of unification resonated with the architectural designs of actors elsewhere on the continent: specifically, Jacques Delors, president of the EC Commission, and key

[25] Görtemaker, *Unifying Germany, 1989–90*, 155.

members like France, eager to secure from Germany an early and irreversible affirmation of integration. In March 1990, Kohl announced his government's unwavering support for the goal of economic and monetary union, and one month later, he and Mitterrand called for the convening of an intergovernmental conference on political union to run parallel to formal discussions over EMU, which would chart a course toward a stronger, more democratic Community and a common foreign and security policy.[26]

Thus, in the face of deep-seated domestic unease about the risks of economic and monetary union, the Chancellor committed his country to the twin objectives of economic and political union. Once again, Bonn asked for "the golden handcuffs," and its European partners obliged.[27] The reaffirmation – indeed, intensification – of Bonn's approach to EC constitutive politics in Brussels still left many questions about integration and the GDR unresolved.

The natural starting point for discussions after November 1989 was a formalization of relations between the EC and the GDR. Some of the groundwork was already in place. In trade relations, for example, the GDR had been a clandestine, "nth + 1" member of the European Community from the EC's inception.[28] Chancellor Kohl's Ten-Point Plan placed a formal association agreement between the GDR and the EC on the agenda. Delors, recognizing the importance of Germany to Europe, welcomed the long-term prospect of unification, and announced in his January 1990 address to the European Parliament that East Germany should be viewed as a special case, entitled to a place within the Community should it so desire.[29] The Commission President acted out of a concern that public handwringing by EC member governments over unification risked isolating Germany, possibly provoking the very behavior they so openly feared. His positive response to

[26] The result, of course, was the Treaty on European Union, negotiated at Maastricht in December 1991 and signed by the leaders of the twelve member governments in early February 1992. See Michael Baun, *An Imperfect Union* (Boulder: Westview, 1996); and Wayne Sandholtz, "Choosing Union: Monetary Politics and Maastricht," *International Organization* 47 (Winter 1993), 1–39.

[27] Timothy Garton Ash, *In Europe's Name* (New York: Random House, 1993), 358.

[28] On the basis of an agreement reached between Germany and the other five members in the late 1950s, inter-German economic exchange was not treated as foreign trade. Owing to stringent licensing systems subsequently put in place by France and the Benelux countries, the vast majority of GDR imports remained in West Germany. Eberhard Grabitz and Armin von Bogdandy, "Die Europäischen Gemeinschaften und die Einheit Deutschlands – die rechtliche Dimension," *Integration* 14 (April 1991), 49–50.

[29] George Ross, *Jacques Delors and European Integration* (New York: Oxford University Press, 1995), 49.

intra-German developments also flowed from self-interest: bringing East Germany into the EC, first as an associate and then as a full-fledged member, would give the Community – and within it, the Commission – the opportunity to influence the unification process.

Bonn officials had decided by February 1990 to discourage independent accession negotiations between East Berlin and Brussels.[30] Bilateral discussions risked unnecessary and even unwanted complications, among other things by providing the EC with additional leverage over the outcome, something that Bonn wished to avoid in light of the urgency of events and the "domestic" quality of the issues involved. As an Article 23 path to unification became a foregone conclusion in Germany, Bonn officials requested that the EC treat the incorporation of the GDR's territory not as a formal accession, but as the territorial expansion of an existing member. In effect, the Germans argued that unification via Article 23 would not affect the legal identity of the Federal Republic, and thus formal accession negotiations were not only unnecessary but inappropriate.[31]

The European Commission shared Bonn's reasoning, and worked assiduously to convince member governments and the European Parliament (EP) of the wisdom of treating East Germany as a special case. At the Dublin meeting of the European Council in April 1990, the member governments agreed to handle the incorporation of East Germany into the EC as a *de facto* but not *de jure* enlargement of the Community. Consensus formed around a Commission paper on unification, which was premised on very optimistic assessments of the East German economy's current health and future prospects.[32]

The Commission's paper proposed a step-wise integration of the GDR into the EC, accompanied by transitional arrangements to ease convergence to the *acquis communautaire*. It outlined several problems associated with the integration of eastern Germany; these reflected the

[30] Barbara Lippert, "Die EG als Mitgestalter der Erfolgsgeschichte: Der deutsche Einigungsprozess 1989/90," in Barbara Lippert *et al.*, eds., *Die EG und die neuen Bundesländer* (Bonn: Europa Union Verlag, 1993), 72. See also Beate Kohler-Koch, "Die Politik der Integration der DDR in die EG," in Beate Kohler-Koch, ed., *Die Ostwerweiterung der EG: Die Einbeziehung der ehemaligen DDR in die Gemeinschaft* (Baden-Baden: Nomos Verlagsgesellschaft, 1991).

[31] This conclusion was based on their interpretation of the doctrine of moving treaty frontiers, taken from international law. See Grabitz and Bogdandy, "Die Europäischen Gemeinschaften und die Einheit Deutschlands," 53. See also David Spence, "The European Community and German Unification," in Charlie Jeffery and Roland Sturm, eds., *Federalism, Unification, and European Integration* (London: Frank Cass, 1993), 143.

[32] Commission of the European Communities, "The European Community and German Unification," *Bulletin of the European Communities* (Supplement 4/1990), 9.

anxieties of individual member governments as well as Commission officials, and served to shape the ensuing negotiations. For example, Spain, Portugal, and Greece, although supportive of East German integration in light of their own recent, undemocratic pasts, were concerned about losing scarce Community aid resources to the economically troubled region. Wealthier members, notably the UK and France, harbored suspicions that Bonn planned to construct a low-wage, deregulated economy in the former GDR. Overall, the Commission expressed a desire to limit the number and duration of transitional arrangements, while acknowledging that special measures to facilitate the incorporation of the new German territory would be necessary for economic and social reasons. In keeping with the deadline established by the Single European Act, the Commission recommended that wherever possible, transitional arrangements for the GDR should expire on December 31, 1992.

Kohl signaled his government's support of the Commission's position, and publicly ruled out any German demands for EC "co-financing" of the costs of adjustment in East Germany.[33] Combined, these actions allayed many fears of the other eleven members, and the European Council accepted the Commission's recommendations as a basis for proceeding with the EC's first eastern enlargement. In the aftermath of the Dublin summit, the Commission established a formal Task Force for German Unification, which conducted the ensuing discussions over the precise terms of incorporation, and even sent representatives to monitor inter-German negotiations over the *Staatsvertrag* and *Einigungsvertrag* to ensure that "the implications for Community law were correctly assessed" by the participants.[34]

Commission officials and representatives from the Bonn government hammered out the details of the actual incorporation package, policy area by policy area. Unification, which would increase the territorial and population size of Germany by a substantial amount, opened up a host of institutional questions – voting weights in the Council; number of Commissioners appointed by Germany; size of the German delegation in the European Parliament – that threatened to upset the delicate balance established for the twelve members by the existing treaty framework. To the relief of its partners and of the Commission, the Bonn government declined to raise any issues pertaining to the Council and Commission, although it pressed for an increase of eighteen in the size of the German EP delegation, a matter that was ultimately resolved at

[33] Lippert, "Die EG als Mitgestalter der Erfolgsgeschichte," 83.
[34] Spence, "The European Community and German Unification," 150.

Maastricht. Regarding the Community's secondary legislation, Bonn eschewed a Mediterranean strategy of long transition periods and significant derogations for the acceding region. Instead, Bonn sought a rapid convergence to EC standards, with few exceptions. In adopting this approach, West German officials built on the *Staatsvertrag*, which

> had provided the basis for incorporating the GDR into the Community by ensuring equal treatment of Community and German firms in the GDR, establishing reciprocal free trade, the applicability of the common agricultural policy, Community rules on company law, freedom of establishment, competition, VAT and customs and excise.[35]

Much of the Community's secondary legislation posed few obstacles for the negotiating parties. The most contentious issues revolved around environmental policy, structural policy, the Common Agricultural Policy, and external relations.[36] In each case, Bonn and Brussels reached agreement on transitional arrangements that acknowledged the special needs of the *Beitrittsgebiet* (literally, "acceding area") while safeguarding the interests of the other member governments and Bonn's commitment to rapid institutional transfer of the German model in Europe.

## After formal unification, 1990–96

October 3, 1990 brought the formal unification process to a breathless finish. It placed a second book-end on a period in which the goal of continuity, both in domestic politics and international affairs, reigned supreme within the Federal Republic. West Germans could hardly deny that unification would result in a larger and more populous country, but they resisted, in both word and deed, the notion that unity would represent a break with their postwar trajectory. Yet subsequent developments made the government's pledge of continuity the subject of intense domestic debate.

35 Spence, "The European Community and German Unification," 153.

36 Details of the agreements forged between Bonn and Brussels in these various policy areas will be presented in later chapters. For an account written by the lead German negotiator, see Hans-Dieter Kuschel, "Die Einbeziehung der ehemaligen DDR in die EG," *Wirtschaftsdienst* 71 (February 1991), 80–87.

### *Domestic debates and policies*

Buoyed by a decisive federal election victory two months after formal unification,[37] the Kohl government, true to social market orthodoxy, put in place a package of economic programs for the eastern Länder – the so-called *Gemeinschaftswerk Aufschwung-Ost* – that was drawn straight out of the pre-unification playbook: tax incentives, investment credits, infrastructure grants, and the like. The emphasis was on small and medium-sized firms, and the main vehicle was federal regional economic policy. Privatization was entrusted to the Treuhandanstalt, an institutional carryover from the GDR; the sell-off of state-owned firms was to be rapid and profitable, according to government officials.

The coalition government rejected calls from the SPD and eastern German representatives for new taxes to finance restructuring and to hold down overall public debt, insisting that unification would be paid for by growth dividends and shifts in spending priorities; ministers identified approximately DM5 billion in subsidy programs for western German problem sectors (e.g. agriculture, coal, and regional aid to Berlin and border areas) that could be phased out and reallocated to the east. The federal government also rebuffed demands for new institutions to implement the government's policies, such as a federal ministry for reconstruction (Aufbauministerium).[38] Officials argued that the federal bureaucracy, coupled with the THA, was up to the task, and pointed out that Bonn ministries had already created internal task forces,

[37] The December 1990 Bundestag election results were as follows:

| | (percentage of popular vote) | | |
|---|---|---|---|
| | *West* | *East* | *Total* |
| CDU/CSU | 44.1 | 43.4 | 43.8 |
| SPD | 35.9 | 23.6 | 33.5 |
| FDP | 10.6 | 13.4 | 11.0 |
| Greens | 4.7 | 0.0 | 3.9 |
| Greens/Bündnis 90 | 0.0 | 5.9 | 1.2 |
| PDS | 0.3 | 9.9 | 2.4 |
| Republikaner | 2.3 | 1.3 | 2.1 |
| Others | 2.1 | 2.5 | 2.1 |

*Source*: "Bundestagswahl '90," *Süddeutsche Zeitung*, December 4, 1990, 11–16.

[38] In late 1990, the SPD pushed hard for the creation of a separate ministry for eastern affairs, on the grounds that institutional amplification of eastern demands was required if the traditional Bonn policy process was to meet the new challenges adequately and effectively. The initiative foundered on vehement opposition from within the Bonn ministerial establishment. The most vocal opponent was the BMWi, which stood to lose the most in terms of personnel and responsibilities. Among the government parties, the FDP was an active opponent of this proposal, since the ministries it controlled – specifically, the BMWi and the justice ministry – would be weakened.

divisions, and Berlin outposts (*Außenstellen*) to deal with the new challenges.[39]

The government's confident predictions of prosperity for all were quickly overtaken by events; economic performance indicators in eastern Germany soon rivaled those registered during the Great Depression.[40] GEMSU completely undermined the export competitiveness of eastern firms, already suffering from a host of internal ailments.[41] Over the course of 1990, industrial production fell by 53.9 percent in East Germany, which contributed to a 13.3 percent decline in GDP over the same period. Estimates of the real unemployment rate by the end of 1990 hovered around 33 percent.[42] By early 1992, the number of officially unemployed persons in the eastern region stood at just over 1 million, and the unemployment rate fluctuated between 13 and 17.5 percent over the next four years – a little under double the western average.

Meanwhile, the flow of new investment into the eastern economy was impeded by the framework of property rights established in the unification settlement. Investment projects invariably became mired in legal challenges, as previous owners filed claims for restitution against the current occupants. The economic downturn afflicting most of Europe at this time was also beginning to take its toll on the eastern Länder. Newspaper articles that only a few months previously had trumpeted the arrival of West Germany's elite firms in the new Länder – Volkswagen, Mercedes Benz, Deutsche Airbus – were now filled with stories of plant closures, rising unemployment, and a rash of canceled or

[39] For example, a "Leitungsstab neue Bundesländer" (Coordination Staff for the New Federal States) was created within the Federal Ministry of Economics in mid-1991 to coordinate policy for the new territories and to monitor ongoing economic developments there.

[40] Rudiger Dornbusch and Holger Wolf, "East German Economic Reconstruction," in Olivier Blanchard, Kenneth Froot, and Jeffrey Sachs, eds., *The Transition in Eastern Europe* (Chicago: Chicago University Press, 1994), 155; Hans-Werner Sinn and Gerlinde Sinn, *Kaltstart: Volkswirtschaftliche Aspekte der deutschen Vereinigung* (Tübingen: J. C. Mohr, 1991), 124.

[41] GEMSU caused an instantaneous revaluation of the Ostmark by over 400 percent, which initiated a virtual collapse of trade as GDR products were priced out of their markets. The ripple effects of GEMSU were soon felt in firm closures and rising unemployment. Although there can be little doubt that a less generous rate of exchange would have helped many firms, this would only have been a temporary reprieve, in view of the reference point set by prevailing West German wages coupled with the express commitment by the unions to seek rapid convergence to the western norm. See Ullrich Heilemann and Reimut Jochimsen, *Christmas in July? The Political Economy of German Unification Reconsidered* (Washington, DC: The Brookings Institution, 1993), 11.

[42] Dornbusch and Wolf, "East German Economic Reconstruction," 161.

postponed investments.[43] Economic data available at the beginning of 1992 revealed that the eastern German region, with 23.9 percent of the nation's population, accounted for a mere 6.9 percent of GDP.[44]

Thus, the fast track to unity accelerated the onset of economic crisis in the new Länder, and led to a deterioration in the performance of the western German economy. Inflation jumped from an annual rate of 3 percent in 1990 to 4.8 percent in 1992, evoking worried statements from research institutes and a policy of high interest rates from the Bundesbank, which created ripple effects throughout Europe.

For many observers, the fallout from Bonn's recipe of rapid unification came as no surprise. To others, particularly in the new territories, the cascade of bad news evoked despair and accusations of betrayal. Representatives from the eastern Länder complained bitterly of the risk-averseness of capital and the unwillingness of the western public to sacrifice. Between late February 1990 and July 1992, the percentage of eastern Germans expressing a good opinion of the social market economy dropped from 77 percent to 44 percent; support in the region for nationalization of industry doubled over the same period from 20 percent to 40 percent of the population. Public opinion polls conducted in mid-1992 revealed that only 36 percent of western Germans were pleased with unification.[45]

Growing disenchantment in both east and west, albeit for different reasons, provided fertile ground for a more determined assault on federal economic policies by the political opposition. The government's privatization program quickly developed into a ripe target, since the THA's efforts to restructure and sell off its holdings began to falter as industrial output fell dramatically in 1991. Social Democrats, Greens, members of the Party of Democratic Socialism (lineal successor to the SED), organized labor, coalition representatives from eastern constituencies, and the prime ministers of the new Länder (all but one of whom hailed from the CDU) warned of dire consequences – the deindustrialization or "Sicilianization" of eastern Germany – if the government failed to adopt a more activist approach.[46] More broadly, the government came under pressure to engage in systematic consultation with the unions and the opposition: a post-unification *Konzertierte Aktion*.

[43] For example, in November 1992, Mercedes Benz announced that it was postponing indefinitely plans to build a truck factory in Brandenburg; the project, at full capacity, would have employed 3,500 to 4,000 workers.

[44] "Ostanteil bei 6,9 Prozent," *Süddeutsche Zeitung*, January 16, 1992, 1.

[45] Renate Köcher, "Die Ostdeutschen frösteln in der Freiheit," *Frankfurter Allgemeine Zeitung*, September 9, 1992, 5; Renate Köcher, "Opfern fällt den Westdeutschen schwer," *Frankfurter Allgemeine Zeitung*, July 8, 1992, 5.

[46] See chapter 5 for a thorough discussion of this debate.

The government acknowledged that reconstruction was not following the original script, and enacted changes in property rights legislation and other laws to remove obstacles to investment in the east. Supplementary budgets were passed to provide additional funds for eastern German economic programs. However, government ministers consistently rejected calls for an overt industrial policy that focused on individual sectors; instead, new policy initiatives between 1993 and 1995 targeted the small- and medium-sized firm sector, which was seen as especially weak and vulnerable. Bonn officials leveled an unceasing stream of criticism at unions, which they accused of exacerbating unemployment and deindustrialization by pursuing wage convergence to the western mean for their new members in the east.[47]

Political pressure on the government intensified as unemployment in the former GDR climbed. For a time in 1992, efforts by leading figures in eastern Germany to create an "Ost-Partei" – a party devoted exclusively to the defense of eastern German interests – gained the support of several prominent eastern politicians with ties to the CDU, and although the initiative fizzled, it sent shock waves through the party leadership. Kohl's response was to establish a formal access point for eastern CDU Bundestag members in the Federal Chancellery, and to publicize the regular meetings between Chancellery officials and their counterparts in the new Länder.[48] The government also set up ten so-called "coalition working groups," on which both civil servants and CDU members of parliament from the east were represented, to draft policy proposals benefiting the new Länder. According to a civil servant in the economics ministry, the initiative, pressed on Kohl by eastern CDU members, was designed "to call the Bonn civil service on the carpet."[49] By bringing bureaucrats face-to-face with eastern elected representatives, advocates of the eastern region hoped to render the civil service more amenable to what it regarded as unorthodox or even objectionable ideas.

[47] For a complete discussion of this issue, see Kreile, "The Political Economy of the New Germany," 75. See also Reiner Hoffmann *et al.*, *German Industrial Relations under the Impact of Structural Change, Unification, and European Integration* (Düsseldorf: Hans-Böckler Stiftung, 1995), and more recently Lowell Turner, *Fighting for Partnership: Labor and Politics in United Germany* (Ithaca: Cornell University Press, 1998).

[48] Kohl's efforts to centralize economic policies for the eastern Länder in the Chancellery in the hands of a new state secretary (*Staatssekretär*) foundered on the opposition of the FDP, which feared that its power base in the BMWi would be weakened. Bowing to his junior coalition partner's wishes, Kohl appointed Johannes Ludewig to a new state secretary position in the economics ministry, with the official title of Federal Commissioner for Eastern Germany (*Bundesbeauftragter für Ostdeutschland*) in January 1995.

[49] Interview with BMWi official, Bonn, December 4, 1992.

While avoiding a formal change of course, Kohl bowed to pressure in November 1992, and stated publicly that his government supported the goal of preserving the so-called industrial cores of the eastern German economy. As chapter 5 will show, this had significant consequences for the THA's privatization program, and by extension Germany's position on state aid in Brussels. Kohl's announcement foreshadowed the contents of the "Solidarity Pact" of March 1993 – an initiative of the CDU-Ost parliamentary caucus – in which the government pledged to provide the THA with approximately DM10 billion in additional resources to preserve eastern Germany's industrial cores in exchange for a union commitment to exercise wage restraint. Hailed as a renaissance of the neocorporatist German model, the pact represented a large-scale package deal that, among other matters, settled financing issues between the federal and state governments and elicited pledges from German finance and industrial capital to increase the rate and level of investment in the eastern region.[50]

The government's response, which fell far short of the level of intervention demanded by its critics, nevertheless evoked growing consternation from business associations and research institutes. Beginning in 1992, these actors issued numerous reports and statements calling attention to the risk of locking in inefficient industrial structures. The tone and target of their complaints shifted as the country slipped into a general economic crisis brought on by the fiscal strains of unification, European-level constraints generated by the Maastricht convergence criteria (see below), and general worries about the health and competitiveness of the German model of political economy.

Fiscal debates sharpened during this period as the government coped with the mounting costs of unification, which translated into widening budget deficits and growing debt levels in light of the government's reluctance to increase taxes.[51] Plans to begin phasing out subsidy programs for western sectors initially fell afoul of parliamentary opposition and social protests. By 1993, when significant subsidy reductions had been achieved, transfer payments to the east gobbled up the savings.

The debate grew even more pointed in 1993, when for the first time the government proposed significant cuts in Germany's cradle-to-grave welfare system. After long, bitter struggles with the SPD opposition, which held a veto point through control of the Bundesrat, the government began to carve out a more austere fiscal path for the country. In

[50] Razeen Sally and Douglas Webber, "The German Solidarity Pact: A Case Study in the Politics of the Unified Germany," *German Politics* 3 (April 1994), 18–46.

[51] Public sector debt increased from a little over 40 percent of GDP in 1991 to over 60 percent of GDP in 1995.

1996, the government introduced a comprehensive austerity program to parliament, which included a public sector wage freeze and cuts in social expenditures. Welfare retrenchment was designed to save the government DM50 billion, or approximately $33 billion, in 1997. The proposals elicited swift and total condemnation from union representatives and the SPD, who accused the government of undermining the very foundations of the postwar German social contract at a time when national unemployment topped four million, a postwar record. Employer associations and conservative economists criticized the proposals for not going far enough. The government's austerity line cost it significantly in terms of popularity.[52]

Within the larger debate about fiscal austerity, tensions over economic policy for eastern Germany continued to simmer. Amid what would prove to be ephemeral signs of progress in the region – growth rates of over 9 percent for 1994 and 1995, the best in the EU[53] – the government began in early 1995 to lay the political groundwork for an eventual phase-out of eastern subsidies, which were running at DM150 billion a year. Responding to a fresh round of reports issued by Germany's leading economic research institutes and the Bundesbank, which called for a thoroughgoing reevaluation of assistance programs for the east,[54] ministers affirmed that the region would continue to require special treatment, but not in perpetuity and not as an undifferentiated entity. The government's change in tone reflected the deteriorating fiscal climate and growing skepticism in western Germany *and* in Brussels about the ability of the eastern region to put these considerable transfer sums to good use.[55]

[52] Between December 1990, the date of the national parliamentary elections, and February 1998, support for the government coalition parties dropped from 54.8 percent to 39.0 percent of the German electorate. The collapse of government support in eastern Germany was even more precipitous; the government parties could only claim the support of 30.1 percent of the regional electorate in early 1998, as compared to 56.8 percent of the regional vote in the 1990 Bundestag elections. Renate Köcher, "Opfern fällt den Westdeutschen schwer," *Frankfurter Allgemeine Zeitung*, July 8, 1992, 5; Elisabeth Noelle-Neumann, "Was ist anders als 1994?", *Frankfurter Allgemeine Zeitung*, February 25, 1998, 5.

[53] "Institute Sees East German Economy Growth Continuing," *Reuters*, September 20, 1994. In 1994, the eastern region's contribution to GNP had increased to 8.6 percent. "Facts on German Unification," *Associated Press*, September 23, 1995.

[54] The Bundesbank noted that between 1991 and the end of 1995, the eastern Länder received DM840 billion in public transfers, and warned of the emergence of a "subsidy mentality" in the region. Deutsche Bundesbank, *Monatsbericht Juli 1995* (Frankfurt, 1995).

[55] In early 1995, the Federal Audit Office (Bundesrechnungshof) released a study suggesting that 10 percent or higher of the billions of DM sent to eastern Germany since 1990 for economic and administrative restructuring may have been wasted through incompetence and even graft; the magazine *Der Spiegel* calculated the losses at

The national opposition parties, led by the SPD, which donned the official mantle of "Anwalt der ostdeutschen Interessen" (chief advocate of eastern German interests), were joined by a broad coalition of eastern political representatives that reached well into the heart of the governing coalition parties in an angry and defensive rejection of the government's proposals. Their case was helped considerably by a worsening economic situation in the eastern region; despite the outward signs of progress, the former GDR remained highly vulnerable to downturns in the national economy; GDP in the region grew by only 2 percent in 1996, as compared to a national growth rate of 1.3 percent.[56] This effectively stalled the rate of economic convergence between east and west,[57] and also caused official unemployment in eastern Germany to rise to just over 18 percent in 1997.[58] Opponents of the government's programs could point to ever gloomier public sentiments among eastern Germans about such basic values as democracy and the social market economy.[59] Bowing to these domestic pressures, the federal government decided in mid-1997 to extend special investment assistance programs for eastern German industry up through 2004, and only then begin to phase them out.

### *European debates and policies*[60]

The Maastricht Treaty, formulated in part to further embed the Federal Republic in the west, represented, at least on paper, a significant deepening of political and especially economic integration for the twelve

DM65 billion. These announcements touched off a heated national debate over the costs and benefits of unification. Although both the government and eastern interests closed ranks on the issue, defending the rationale for and use of transfers to the east, the wounds opened by the debate were deep and left lasting effects on the climate of public opinion in both parts of the country. "Baggern statt Denken," *Der Spiegel*, February 13, 1995, 46–73.

56 "Geringeres Wachstum in Ostdeutschland," *Frankfurter Allgemeine Zeitung*, February 20, 1997, 13.

57 By 1997, per capita GDP in Germany had reached 57 percent of the western German level. Horst Siebert, "Model Under Strain," *Financial Times*, January 5, 1998, 22.

58 Peter Norman, "E German Jobless Approaching 20%," *Financial Times*, October 29, 1997, 6.

59 In 1997, the percentage of eastern Germans expressing a favorable opinion of the Federal Republic's economic system stood at 22 percent, down from a high of 69 percent in 1990. Between 1992 and 1997, the percentage of eastern Germans who believed that the country's problems could be solved by democracy dropped from 52 percent to 30 percent. Renate Köcher, "Die Zweifel wachsen in Ost und West," *Frankfurter Allgemeine Zeitung*, July 16, 1997, 5.

60 For overviews of post-1989 German European policies, see Simon Bulmer and William Paterson, "Germany in the European Union: Gentle Giant or Emergent Leader?", *International Affairs* 72 (1996), 9–32.

member countries. In a marked departure from past grand bargains, however, the Treaty on European Union ignited a domestic politicization of integration that cast serious doubt on the ratification of the treaty. With the unexpected rejection of the treaty by Danish voters in a June 1992 referendum and the paper-thin "oui" voiced by the French electorate a few months later, pitched domestic debates over the future of integration blossomed throughout Europe.[61] In Germany, growing doubts about the Maastricht agreement coalesced principally around the issue of economic and monetary union (see below). The treaty also sparked a wide-ranging constitutional debate, which was eventually resolved in the form of a new Article 23 that provides, among other points, for a significant reordering of the formal relationships between the political executive and the legislature, notably the Bundesrat.[62]

In the turbulent post-Maastricht period, the German government's approach to the constitutive dimensions of European integration revealed strong elements of continuity with the pre-unification period. Both political elites and the general public maintained their bedrock commitment to the European project. A major reference point for German policymakers remained the perceptions and concerns of their neighbors; Kohl repeatedly declared that integration was irreversible, and rejected accusations that Germany was trying to dominate Europe. In concrete terms, this meant that the Bonn government expressed continuing support for EMU, a strengthened European Parliament, greater use of qualified majority voting in the Council, closer cooperation in the fields of foreign policy and internal security, and enlargement. With France, Germany also began to explore "flexibility" options designed to allow subsets of EU members to push ahead more rapidly with integration in certain areas, and succeeded in inserting favorable language into the Treaty of Amsterdam signed in October 1997.[63]

That said, Bonn's policies took on a harder edge in comparison to the

[61] See Baun, *An Imperfect Union*, for an excellent account.

[62] The Länder, which participate in the federal legislative process via the Bundesrat, argued that EC matters could no longer be considered foreign affairs but were in fact a form of "European domestic policy" and, as such, the Länder were entitled to represent the interests of Germany in Brussels on EC affairs that impinged on their powers and competencies. Since formal ratification of the treaty required Bundesrat approval, the demands of the Länder carried decisive weight in discussions with a skeptical coalition government and deeply concerned civil servants. See Charlie Jeffery, "The Länder Strike Back: Structures and Procedures of European Integration Policy-making in the German Federal System," Discussion Papers in Federal Studies FS94/4, University of Leicester, September 1994; and George Ress, "The Constitution and the Maastricht Treaty: Between Cooperation and Conflict," *German Politics* 3 (December 1994), 48–74.

[63] For an excellent overview of German integration policy after 1990, see Bulmer, Jeffery, and Paterson, "Germany's European Diplomacy," 76–99. A comprehensive overview

pre-1989 period, a direct result of domestic economic difficulties generated by unification and deepening skepticism at all levels of German society about the wisdom of an open-ended political and especially financial commitment to Europe.[64] In contrast to years past, German leaders began to adopt a more sober outlook on the long-run goals of integration. For example, Bavarian prime minister Edmund Stoiber was quoted in November 1993 as saying that "We are no longer striving for a federal state ... I want a simple confederation." Although government officials distanced themselves from Stoiber's comments, grand talk of a United States of Europe was no longer to be heard in official Bonn circles. Chancellor Kohl, in prepared remarks on the occasion of his receipt of the Schumpeter Prize in 1993, declared that the EU must not develop into "a European superstate ... I find it understandable that people ... want to be Europeans, but at the same time remain Germans, Frenchmen, Italians or Spaniards ... The creation of a European Union does not mean that still essential national and federal structures disappear."[65]

Government officials also gave greater emphasis to short-term material benefits in their calculations, and stepped up their campaign for a more democratic and transparent Union. What follows is a brief account of these new accents in three policy areas central to Germany's regulative politics: EMU, EC/EU finances, and enlargement.

### *Economic and monetary union*

Over the objections of his advisors and particularly those of the Bundesbank, Chancellor Kohl agreed at Maastricht to a firm timetable for the phased implementation of economic and monetary union by January 1, 1999.[66] In return, the German delegation insisted on an institutional

of the Treaty of Amsterdam can be found in Michel Petite, "The Treaty of Amsterdam," Harvard Jean Monnet Chair Working Paper Series No. 2/98, 1998.

64 An avowedly anti-European political party, the Bund Freier Bürger (League of Free Citizens) campaigned against Maastricht in the 1994 EP elections. Although the BFB fared quite poorly, its emergence can be viewed as a sign of the changing times in Germany. The mantle of Euro-skepticism in Germany has since been picked up by the Party of Democratic Socialism (PDS), which openly opposes the introduction of EMU on the grounds that monetary integration will intensify neoliberal deregulation and its attendant effects on society.

65 All quotes from Quentin Peel, "Bavaria's PM Exposes Split on European Union," *Financial Times*, November 3, 1993, 1; "Kohl spricht sich gegen 'europäischen Superstaat' aus," *Frankfurter Allgemeine Zeitung*, May 19, 1993, 2.

66 For insightful analyses of the role of the Bundesbank in EMU, see David Cameron, "British Exit, German Voice, French Loyalty: Defection, Domination, and Cooperation in the 1992–93 ERM Crisis," paper for the Annual Meeting of the American Political Science Review, Washington, DC, September 1993; and Dorothy Heisenberg, "The Mark of the Bundesbank: Germany's Role in European Monetary Cooperation," unpublished Ph.D. dissertation, Yale University, 1996.

framework modeled closely on the German system, and moreover a set of strict economic convergence criteria that aspiring members of the monetary club would have to meet prior to joining. These include (1) a rate of inflation not exceeding that of the best performing member countries by more than 1.5 percentage points; (2) a budget deficit not exceeding 3 percent of GDP; (3) an accumulated public debt not exceeding 60 percent of GDP; (4) a national currency that has remained within the narrow band of the Exchange Rate Mechanism (ERM) for at least two years prior to entry into the final stage of economic and monetary union (EMU); and (5) an average nominal interest rate on long-term government bonds not exceeding that of the three best-performing member states by more than two percentage points. The German delegation agreed to a flexible interpretation of some of the convergence criteria, allowing trends in budgetary and fiscal performance to be taken into consideration for countries failing to meet the specific thresholds.

Reaction to the Maastricht agreement in Germany was decidedly cool – critics accused the government of giving away too much on EMU in exchange for too little on political union. Public unease, reflected in opinion polls, was fed by the German press; the day after the conclusion of the Maastricht summit, many German newspapers printed screaming headlines that trumpeted the imminent demise of the D-Mark. The European exchange rate crises of 1992 and 1993, combined with growing worries about domestic economic fundamentals and the lack of progress on the European agenda, fed the public's skepticism about EMU.[67] Polls conducted between 1995 and 1998 revealed that fully two-thirds of the German public expressed concerns about a loss in monetary stability arising from EMU, and fluctuating majorities flatly opposed the introduction of a single currency. At the same time, the public retained basically positive feelings about Europe and Germany's place within it; only one in three Germans expressed a desire to see the integration process slow. Just under 80 percent expressed support for currency union if it excluded the poorer Mediterranean members. And even among strict opponents of EMU, a large majority (68 percent) thought that Germany should join if the single currency were introduced.[68]

[67] See Cameron, "British Exit, German Voice, French Loyalty."

[68] Data taken from: Renate Köcher, "Kühle Realisten," *Frankfurter Allgemeine Zeitung*, November 15, 1996, 5; "Most Germans Doubt Euro Currency Stable – Poll," *Reuters*, December 1, 1995; "Germans Wary of South Europeans Joining EMU," *Reuters*, December 14, 1995; "Most Germans Oppose Single Currency Plan for 1999," *Reuters*, 31 January 1996; "Europeans Increasingly Divided on Euro, Poll Shows," *Agence France-Presse*, March 3, 1998.

The heightened domestic politicization of European issues was reflected in the sharpness of the attacks leveled by the SPD against the government over EMU. Looking for an issue with bite, Social Democratic leaders criticized Kohl both for failing to secure Germany's fundamental economic interests in the EMU framework negotiated at Maastricht and for leading an assault on the national welfare state in the name of neoliberal and Europeanist ideologies.[69] Gerhard Schröder, the SPD's chancellor candidate for the Fall 1998 federal elections, sought to make Europe an overt campaign issue by demanding both a postponement of the EMU timetable if Germany or other key members failed to meet the convergence criteria, and a greater emphasis on employment creation by the EU. Similar concerns about EMU were expressed from within the governing coalition itself, such as those of maverick Bavarian prime minister Stoiber.[70]

In response to domestic criticism and to genuine concerns about glaring loopholes in the TEU, the federal government, in conjunction with the Bundesbank, held to a strict interpretation of the admission criteria, and in 1995 began to advocate a "stability pact for Europe," the purpose of which was to ensure that EMU members continued to pursue fiscal policies consistent with the convergence criteria after the introduction of the single currency in 1999. In a dramatic address to the CDU annual party congress in October 1995, Kohl underscored the importance of a stringent EMU framework both to Germans and to Europe.

> So, dear friends in Europe, it is not some German hysteria if we stress again and again ... that the Maastricht Treaty stability criteria must be maintained and not questioned. This is a question of the very destiny of German democracy, (as we can see) from the experiences of the century now drawing to a close ... We want a European community of stability. Anything else would put into question the great successes we have achieved in integrating Europe in the past. It could

[69] In October 1995, the chairperson of the SPD, Rudolf Scharping, stated: "To give up the D-mark for some idea or other, which even then in the end does not bring economic stability and also monetary stability, is wrong." His remarks and those of other figures in the SPD caused a stir inside the party as well. Klaus Hensch, an SPD member and president of the EP, warned his party not to "try to use nationalist populism to win votes which will in any case go somewhere else." Former Foreign Minister Genscher accused the SPD of "gambling with its great European tradition." "Die SPD-Führung sieht sich in der Rolle des Mahners," *Frankfurter Allgemeine Zeitung*, October 31, 1995, 3; David Crossland, "German SPD Under Fire Over Maastricht Doubts," *Reuters*, November 5, 1995.

[70] Stoiber promised "fierce resistance" by the CSU and the Bavarian state government if Kohl in any way backed away from a literal interpretation of the convergence criteria. "Stoiber fordert punktgenaue Erfüllung der Maastricht-Kriterien," *Frankfurter Allgemeine Zeitung*, June 25, 1997, 1.

be worse: the citizens' mistrust could very quickly turn against the idea of Europe itself.[71]

Although all fifteen members supported in principle the aims of a stability pact, serious differences arose between Germany and the rest of the EU, led by France, which advocated a less rigid approach to fiscal policy that took into account employment and growth performance. The final agreement, reached in December 1996, allows an EMU member to run a budget deficit of greater than 3 percent of GDP if overspending is caused by circumstances beyond its control or if it is suffering from a severe recession, which is defined as a 2 percent contraction in annual GDP. Members with a smaller fall in growth may plead special circumstances to the EMU members, which would decide on the basis of a two-thirds majority whether the member should be exempted from fines reaching a maximum of 0.5 percent of GDP. The move away from automatic penalties represented a concession on the part of Germany.[72]

Back home, government officials, including Chancellor Kohl himself, repeatedly rejected calls to postpone the implementation of EMU, which would have dire consequences for the integration process and Germany's interests. Nevertheless, political debates in the nation's capital began to focus on the EMU convergence criteria and Germany's fragile bid to meet them on schedule.[73] The issue of Europe began to intrude on domestic budget debates; the government frequently justified general budget austerity, overhaul of the welfare system, and deferral of long-promised tax cuts with reference to EMU-related goals and obligations.

One does not have to look far to find evidence of the government's intense desire to see a timely EMU departure with Germany on board. Two instances are worth highlighting. In late May 1997, a bitter row between the finance minister and the Bundesbank erupted over the former's ultimately unsuccessful attempt to revalue the central bank's gold reserves and use the resulting profits to retire debts accumulated since unification, thereby ensuring that Germany would meet the EMU public debt criterion. The initiative bordered on ill-considered folly,

71 "Kohl – Weak EMU Would Hurt German Democracy," *Reuters*, October 16, 1995.

72 Otmar Issing, a senior member of the Bundesbank, commented sarcastically, "Unrestrained automaticity would not have been possible, but one cannot be satisfied with a decision mechanism in which potential sinners pass judgment on actual sinners." "EU Warned Over Policing EMU," *Financial Times*, December 17, 1996, 1.

73 After failing to meet all the convergence criteria in 1995 and 1996, Germany appeared to be back on track by 1997, according to a report issued by the Commission in March 1998. Germany's performance on public debt, at 61.3 percent of GDP, was the only weak spot, and the government issued statements that it expected leniency on this criterion because of the unique problems generated by unification.

since it undermined the government's stability pact agenda and furthermore exposed it to the charge of engaging in precisely the kind of budgetary sleights-of-hand that it directed regularly against the Italians and other soft aspirants to EMU membership.

And in May 1998 at the Brussels summit, Kohl agreed to a last-minute compromise on the head of the European Central Bank that many newspapers described as his political death warrant. Bowing to French desires to see a Frenchman head up the key monetary agency, Kohl and the other heads of state appointed Wim Duisenberg of the Netherlands to an eight-year term on the express understanding that he would step down after four years in favor of Jean-Claude Trichet. Roundly denounced by journalists, bankers, and the political opposition in Germany (to name just three groups) as undermining the credibility of the euro before it had even begun the circulate, the compromise stemmed from the German Chancellor's strong reflex for consensus, particularly with France, on this critical matter for Europe's future.

### *Budgeting and finance*

The SEA was purchased with a substantial side-payment to members likely to be disadvantaged by the completion of the internal market.[74] Maastricht followed the same script; the treaty's price tag included a general commitment on the part of the Union to increase cohesion payments to the poorer member countries, whose leaders argued that such assistance was essential to help their countries meet the stringent entry criteria for EMU. In 1992, the Commission published the so-called Delors II budget proposals for the period 1994–97, recommending among other things a large increase in the structural funds budget coupled with an expansion of the EC/EU's global budget ceiling from 1.2 to 1.37 percent of Community GDP.

Bonn, joined by other wealthy member governments, was true to its pre-unification form, and voiced strong dissatisfaction with what it viewed as an unacceptable increase in the EC budget ceiling. The Germans also rejected any linkage between convergence and cohesion, arguing that the former was for each individual member to achieve under its own power.[75] At the Edinburgh summit in December 1992, after long and arduous negotiations, the Community resolved most of these seemingly intractable budgetary issues on the basis of a compro-

[74] Marks, "Structural Policy in the European Community."

[75] This was consistent with the German notion that member states had to develop a domestically anchored "stability culture" if EMU was to work as advertised. Achieving convergence through massive EU subsidies would be counterproductive to the emergence of such a culture.

mise hammered out by Spain and Germany. The member governments decided to extend the budget plan by two years (to the period 1994–99), to fix the EC budget ceiling at 1.2 percent of Community GDP in 1993 and 1994, but to allow the ceiling to reach 1.27 percent by 1999.[76] A substantial increase in structural funding (a portion of which was destined for the new Länder), combined with a decision that the poorer members would pay less into the EU budget in future years, accompanied agreement on the larger budgetary parameters.[77]

After Edinburgh, German statements about the EC budget hardened still further. The domestic discussion about Germany's role as EU "paymaster" (*Zahlmeister*) was galvanized by a November 1993 Bundesbank report that was highly critical of EU spending practices, and that forecast a dramatic rise in German contributions to the EU budget, currently at 30 percent of the total, if spending discipline was not imposed. The report predicted that Germany's aggregate contributions would increase from DM38 billion in 1993 to DM52 billion by 1998. Annual net contributions, which were more than double the combined payments of the other net contributors (Britain, France, the Netherlands, and Italy), were expected to rise to DM30 billion over the same period. The central bank described the situation as untenable.[78]

The SPD used the report as an occasion to criticize Kohl's management of the country's European policies, marking the emergence of the *Zahlmeister* issue in German national electoral politics. Government officials began to question the formula for financing the EC/EU budget – in particular, the reliance on aggregate GDP (as opposed to per capita GDP) for calculating a member's contribution, which had caused the German contribution to jump with unification. Germany's 1991 check to Brussels totaled DM33 billion, a 46.7 percent increase over the previous year.[79] Germany's annual net contribution (payments minus receipts) almost doubled to DM22 billion between 1989 and 1997, representing a situation that, according to German officials, did not take into account the deterioration in the country's economic circumstances since 1990.[80]

[76] See Michael Shackleton, "Keynote Article: The Delors II Budget Package," *Journal of Common Market Studies* 31 (August 1993), 11–25.

[77] See chapter 6 for a complete discussion of the issues relating to the structural funds.

[78] Deutsche Bundesbank, *Monatsbericht November 1993* (Frankfurt: 1993).

[79] "DIHT sieht keinen Anlaß zur Kritik an Nettozahler-Position," *Frankfurter Allgemeine Zeitung*, May 18, 1994, 15.

[80] "Germany's Kinkel Wants Rethink on EU Financing," *Reuters*, July 20, 1997. Germany ranked first in GDP among EC members in 1993; measured in terms of GDP per capita, Germany ranked fifth, at 5.6 percent above the EC average. R. Messal and A. Klein, "Finanzlasten und Eigenmittelstruktur der Europäischen Gemeinschaft," *Wirtschaftsdienst* (July 1993), 377.

In 1996, the Commission released figures showing that Germany contributed 29.2 percent of the EU's budget but received only 14.8 percent of total spending.[81] As this information ricocheted around Bonn political circles, the BMF began work on a proposal to place a ceiling on Germany's financial contributions to the EU, and warned that if the Commission and other member governments failed to take up the issue, it could jeopardize public acceptance of European integration in Germany. The following year, Foreign Minister Kinkel described Bonn's contributions as "out of proportion," and called for an overhaul of the EU's financing system that would result in a more just distribution of burdens among the member governments.[82] German demands for an abolition of the British rebate grew louder over this period. Paradoxically, at the same time the Bonn finance ministry began to circulate a proposal under which countries would receive an automatic rebate when their annual net contribution to the EU rises above 0.4 percent of GDP; for Germany, this would have resulted in a DM7 billion repayment in 1997.[83]

In the day-to-day budget battles in Brussels, Bonn expressed a much keener interest in a fair return to Germany through various EU programs, and consistently blocked efforts by the Commission and the Mediterranean members to increase various spending programs.[84] By 1996, Bonn could claim some measure of success in its efforts to rein in the EU budget; applying the logic of the EMU convergence criteria, Germany, engaged like France and other member governments in difficult austerity politics at home, forced through a "zero growth" EU budget for 1997 and a modest increase of 1.4 percent in 1998. Commission officials expressed concern that the direction of the larger EU budget debate risked creating insurmountable obstacles to further integration, as well as to the goal of enlargement.

### *Enlargement*

By 1990–91, the economic pull generated by the EC's single market initiative, combined with the dissolution of Cold War geopolitical

[81] "Commission Fires Back at Dutch, Germans in EU Budget Row," *Agence France-Presse*, October 10, 1997.

[82] "Germany's Kinkel Wants Rethink on EU financing."

[83] "Germany Savages Brussels in EU Budget Row," *Agence France-Presse*, October 13, 1997.

[84] For example, the Commission sought repeatedly to allocate large sums of money to its Trans-European Networks program (TEN), particularly as unemployment became a dominant theme of the Commission's program after Maastricht. German officials referred to these designs derisively as "Trans-European Nonsense." Interview with BMWi official, Bonn, May 18, 1994. The German government, in the face of domestic opposition from the SPD and pressure from EU members led by France, remained fiercely opposed to European employment creation schemes on budgetary grounds.

constraints, had produced a lengthy queue of applicants for membership in the EC/EU.[85] Germany, "the most consistent advocate of enlargement" in the 1970s and 1980s,[86] gave enthusiastic support to the wave of European Free Trade Association (EFTA) applicants in the early 1990s, which eventually resulted in the "northern" accession of Sweden, Finland, and Austria on January 1, 1995.

Germany also pushed for enlargement to the east; a general consensus among political elites held that the prospect of EU membership for Central and Eastern European countries would undergird their path to democracy and markets, thereby contributing to political stability and economic prosperity in the region.[87] The German government spearheaded the creation of EC assistance programs like PHARE (Pologne-Hongrie assistance à la restructuration des économies) and TACIS (Technical Assistance for the Commonwealth of Independent States). It also provided much of the impetus for the string of "Europe Agreements" negotiated with Poland, Hungary, the Czech and Slovak Republics, Bulgaria, Romania, the Baltic republics, and Slovenia, which were viewed as precursors to formal membership in the EU.[88]

As the anticipated costs of eastern enlargement began to weigh more heavily on member governments like France, Germany helped to sustain political momentum behind the initiative, most notably at the Essen summit in December 1994. However, the Kohl government's ostensibly unbounded enthusiasm for eastern enlargement began to ebb, albeit subtly and gradually, as the *Zahlmeister* debate hit its stride in Bonn.

In July 1997, the Commission published "Agenda 2000," which set out its vision of the Union's enlargement process.[89] The report

[85] For general overviews of the "widening" issue and its manifold implications, see Neill Nugent, "The Deepening and Widening of the European Community: Recent Evolution, Maastricht, and Beyond," *Journal of Common Market Studies* 30 (September 1992), 311–28; and Anna Michalski and Helen Wallace, *The European Community: The Challenge of Enlargement* (London: Royal Institute for International Affairs, 1992).

[86] Simon Bulmer, "European Integration and Germany: The Constitutive Politics of the EU and the Institutional Mediation of German Power," paper presented at the Conference on "The Influence of Germany and the European Union on the Smaller European States," Budapest, Hungary, May 31–June 3 1995, 24.

[87] Here, German elites extrapolated from their own experiences with national democratic consolidation and supranational integration in the 1950s. As chapter 3 will show, the German government also believed that eastern Germany would benefit from closer economic and political ties between the EC and the former Soviet satellites.

[88] See Heinz Kramer, "The European Community's Response to the 'New Eastern Europe'," *Journal of Common Market Studies* 31 (June 1993), 213–44.

[89] Commission of the European Communities, *Agenda 2000*, vol. I: *For a Stronger and Wider Union* (Brussels: Office for Official Publications of the European Communities, 1997); Commission of the European Communities, *Agenda 2000*, vol. II: *The Challenge of Enlargement* (Brussels: Office for Official Publications of the European Communities,

recommended that accession negotiations commence immediately with six countries deemed best qualified to join: Cyprus, the Czech Republic, Estonia, Hungary, Poland, and Slovenia. The Commission identified a second group of applicants – Bulgaria, Latvia, Lithuania, Romania, the Slovak Republic, and Turkey – which would have to demonstrate further progress on economic and political liberalization before negotiations with the EU could commence. Acknowledging the budgetary concerns of many current members, principally Germany, the Commission maintained that enlargement could be financed without increasing the overall budget ceiling of 1.27 percent of EU GDP established by the Delors II agreement. Agenda 2000 proposed an extension of the current financing arrangements up through the year 2006, with reform of the Common Agricultural Policy and the structural funds – specifically, tighter eligibility requirements for aid recipients – generating the necessary savings.

The Commission's budgetary proposals were greeted with open skepticism by poorer members of the EU, led by Spain. Their reactions turned angry when, in September, the Germans and the Dutch stepped up demands for a new financing formula that would reduce their countries' net contributions to the EU. In March 1998, German officials openly threatened to derail the package of policy reforms contained in Agenda 2000 if a commitment to "substantial and permanent" cuts in Germany's net contributions to the EU was not forthcoming.[90]

Their furor was compounded when the Bonn government expressed reservations about reform of the CAP and structural funds, since this could end up increasing Germany's net contributions to the EU and would almost certainly harm eastern German interests in the process.[91] The Spanish government stated categorically that the accession of poor, farm-intensive members from Central and Eastern Europe could not be financed on the backs of those in the EU most vulnerable to enlargement and least able to afford it. Amid the growing row over the costs of enlargement, France, Belgium, and Italy demanded that unresolved questions pertaining to institutional reform of the EU be taken up and settled *prior* to commencing accession talks with the first wave of applicants. Thus, in an ironic twist, Germany's budget goals began to conflict with its widening objectives; the end result was an almost certain and lengthy delay in the prospects for eastern enlargement.

1997); Commission of the European Communities, *Agenda 2000*, vol. III: The Opinions of the European Commission on the Applications for Accession (Brussels: Office for Official Publications of the European Communities, 1997).

[90] Angus MacKinnon, "EU Faces Bruising Battle Over Enlargement Costs," *Agence France-Presse*, March 23, 1998.

[91] See chapter 6 for more details.

### Interests, institutions, ideas, and the unification process

As the prospect of unification took concrete form, the federal government set out to reproduce West Germany in eastern Germany, and to maintain the country's place in the multilateral web of European institutions formed around the nucleus of the EC and NATO. Not only did Bonn automatically reaffirm EC membership, but it chose rapid, often instantaneous convergence to Community rules and norms. Matching rhetoric to action, the German government treated unification and Europe as two sides of the same coin.

This reflexive policy of rapid institutional transfer was driven primarily by the power of ideas. The government's chosen path to constitutional unification (Article 23) as well as to EC "accession" for the former GDR (the doctrine of moving treaty frontiers) suggests the powerful effects of continuity in (West) German identity. In a context of incomplete information on the economic situation in East Germany and acute uncertainty about the GDR's stability, the perceptions of neighboring countries, and the duration of a favorable geopolitical context, the Bonn leadership reached explicitly for principles and historical analogies bound up with the social market economy and Germany's European vocation to lend orientation and direction to its policy choices.

Almost immediately upon implementation, however, institutional transfer generated significant social and economic problems for the new Länder and for unified Germany. Eastern German actors, emboldened by the faltering performance of social market orthodoxy, teamed up with skeptics in the west to question many of the established truths of postwar political economy in West Germany, forcing the government into a mode that one scholar has described as "improvisation".[92] Together (and often for different reasons), they challenged the passive consensus in Germany surrounding the domestic model of political economy, which in turn fed into a larger debate about the goals of European integration. This changed political context would play an important role in the various regulative agendas Germany pursued in Brussels after 1990.

[92] Gerhard Lehmbruch, "Die deutsche Vereinigung: Strukturen und Strategien," *Politische Vierteljahresschrift* 32 (December 1991), 585–604.