



저작자표시-비영리-동일조건변경허락 2.0 대한민국

이용자는 아래의 조건을 따르는 경우에 한하여 자유롭게

- 이 저작물을 복제, 배포, 전송, 전시, 공연 및 방송할 수 있습니다.
- 이차적 저작물을 작성할 수 있습니다.

다음과 같은 조건을 따라야 합니다:



저작자표시. 귀하는 원저작자를 표시하여야 합니다.



비영리. 귀하는 이 저작물을 영리 목적으로 이용할 수 없습니다.



동일조건변경허락. 귀하가 이 저작물을 개작, 변형 또는 가공했을 경우에는, 이 저작물과 동일한 이용허락조건하에서만 배포할 수 있습니다.

- 귀하는, 이 저작물의 재이용이나 배포의 경우, 이 저작물에 적용된 이용허락조건을 명확하게 나타내어야 합니다.
- 저작권자로부터 별도의 허가를 받으면 이러한 조건들은 적용되지 않습니다.

저작권법에 따른 이용자의 권리는 위의 내용에 의하여 영향을 받지 않습니다.

이것은 [이용허락규약\(Legal Code\)](#)을 이해하기 쉽게 요약한 것입니다.

[Disclaimer](#)

國際學碩士學位論文

**The Swift Union under the Federal System:
A Study on the Preferences of West German
Regional Governments during the Unification
Process of 1990**

연방제 하에서의 빠른 통일:

1990년 통일과정에서 서독 지방정부의 선호에 관한 연구

2013年 8月

서울대학교 國際大學院

國際學科 國際協力 專攻

金住恩

**The Swift Union under the Federal System:
A Study on the Preferences of West German
Regional Governments during the Unification
Process of 1990**

Thesis by

Jueun Kim

Graduate Program in International Cooperation
For the degree of Masters of International Studies

August 2013

**Graduate School of International Studies
Seoul National University**

Seoul, Korea

The Swift Union under the Federal System:

A Study on the Preferences of West German Regional Governments during the Unification Process of 1990

연방제 하에서의 빠른 통일:

1990년 통일과정에서 서독 지방정부의 선호에 관한 연구

指導教授 李 根

이 論文을 國際學碩士學位論文으로 提出함

2013年 8月

서울大學校 國際大學院

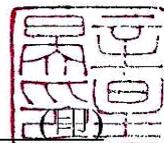
國際學科 國際協力專攻

金住恩

金住恩의 國際學碩士學位論文을 認准함

2013年 8月

委 員 長 _____ 辛 星 昊



副 委 員 長 _____ 朴 善 喜



指 導 教 授 _____ 李 根



THESIS ACCEPTANCE CERTIFICATE

The undersigned, appointed by

The Graduate School of International Studies

Seoul National University

Have examined the thesis entitled

**The Swift Union under the Federal System:
A Study on the Preferences of West German Regional
Governments during the Unification Process of 1990**

Presented by **Jueun Kim,**

Candidate for the degree of Masters of International Studies, and hereby certify
that the examined thesis is worthy of acceptance:

Signature
Committee Chair



Sheen, Seong-Ho

Signature
Committee Vice Chair



Park, Sunhee

Signature
Committee Member



Lee, Geun

Date: August 2013

Copyright © 2013 by Jueun Kim

All Rights Reserved

Abstract
The Swift Union under the Federal System:
A Study on the Preferences of West German Regional Governments during
the Unification Process of 1990

Jueun Kim
Department of International Studies, International Cooperation Major
The Graduate School of International Studies
Seoul National University

Why did West German regional governments approve the swift pace of German unification, despite the fact that many economic experts repeatedly warned of economic side-effects of a rapid approach to unification? West German party politics during 1990 is examined in the context of federal system, to answer this question. A special emphasis is placed on the preferences of regional governments in West Germany. Previous studies of party politics in federal systems focused on behaviors of central party leaderships and paid little attention to regional preferences. To fill in this missing gap, this thesis adopts prospect theory from Kahneman and Tversky as an analytical framework to localize these preferences to regional governments. Three public opinion polls, parliamentary documents of the Bundestag and the Bundesrat, and intra-party magazines of the CDU and the SPD are analyzed. A cluster-analysis by word similarity is conducted for one Bundesrat debate and four Bundestag debates over German unification. There are three major findings. First, West German regional governments formed their preference based on a reference point at the pre-unification economic status quo. To safeguard their economic status quo, regional governments attempted to avoid two major economic losses expected from unification – increased immigration from East Germany and increased burden of public finance to support unification. Second, regional governments tended towards a myopic preference, with greater loss-avoidance for a short-run loss than for a long-run loss. In the first half of 1990, an increase in East German immigrants was perceived as a short-run loss, due to a huge tide of migration inflows under the Entrance Law (*Aufnahmegesetz*). In the second half of 1990, against the backdrop of the aggravating East German economy, unification financing was perceived as a short-run loss. Third, the incumbent parties (CDU/CSU-FDP) were more successful than the major opposition party (SPD) in unification initiatives, thanks to their two policy instruments – abolition of the Entrance Law and creation of the German Unity Fund. These two policies respectively made a good use of regional governments' loss-avoidance for immigration increase and unification financing. Findings of this thesis have significant implications for future studies of Korean unification, given the earlier academic negligence of psychological aspects of the unification process.

.....

Keywords: *German unification process, short-run loss avoidance, prospect theory*

Student ID: 2011-22373

Table of Contents

Abstract	i
List of Figures	iv
List of Tables	v
Abbreviations and Acronyms	vi
I. Introduction	1
A. The Puzzle	1
B. Previous Studies	3
1. Previous Studies of German Unification	3
2. Previous Studies of West German Party Politics in 1990	5
C. Research Question	8
II. Analytical Framework	10
A. Previous Studies of Political Parties in Federal Systems.....	10
B. Prospect Theory.....	12
C. Propositions	17
D. Methodology.....	22
1. Analytical Objectives.....	22
2. Data.....	23
3. Methods	24
III. The Federal System of West Germany and German Unification	26
A. The Federal System of West Germany: Cooperative Federalism.....	26
B. Party Politics under the West German Federal System	31
C. German Unification under the West German Federal System	35
1. Legislative Process of the First State Treaty (The GEMSU Treaty).....	36
2. Legislative Process of the Second State Treaty (The Unification Treaty).....	39
IV. Before German Economic, Monetary, and Social Union: January-June 1990 ...	44
A. West German Public Reference Point at the Pre-Unification State of Wealth ...	44

B.	Immigration from East Germany	49
1.	Increase in Immigration from East Germany	49
2.	Law for the Entrance of Germans to the Federal Border	50
3.	Short-Run Loss-Avoidance of West German Regional Governments	52
4.	Party Politics	55
C.	Unification Financing	60
1.	Public Finance: Institutionalized Rules & Procedures	60
2.	Future-Cost-Discounting of West German Regional Governments	61
3.	Party Politics	69
V.	After German Economic, Monetary, and Social Union: July-December 1990	75
A.	Immigration from East Germany: Decreased Concerns	75
B.	Unification Financing	79
1.	Economic Problems of East Germany after the GEMSU	79
2.	Short-Run Loss-Avoidance of West German Regional Governments	80
3.	Party Politics	87
C.	All-German Federal Election	92
1.	Electoral Campaigns	93
2.	Election Results	97
VI.	Conclusion	101
A.	Thesis Summary	101
B.	Different Patterns of Loss-Avoidance for Immigration&Unification Financing ...	103
C.	Implications for Korean Unification	105
1.	Growing Economic Inequality between the Two Koreas	105
2.	Existing Studies of Unification Costs	106
3.	Lessons for Korean Unification	107
D.	Future Studies	109
	Bibliography	111
	국문초록	129

List of Figures

	<i>Page</i>
Figure.1 A Hypothetical Value Function	13
Figure.2 A Hypothetical Weighting Function	15
Figure.3 West German Länder Preferences during the Unification Process	19
Figure.4 Analytical Framework	21
Figure.5 Decision-Making Structure in the West German Intergovernmental System	30
Figure.6 East German Immigration to West Germany 1949-1989	49
Figure.7 Cluster-Analysis of Bundestag Sitzings 212 and 217 by Word Similarity	73
Figure.8 East German Immigration as the Most Serious Problem at the Moment (%)	75
Figure.9 Support for GDR's DM Adoption (%)	76
Figure.10 Number of Asylum-Seekers in Karlsruhe, Baden-Württemberg	77
Figure.11 Cluster-Analysis of Bundesrat Sitting 618 by Word Similarity	83
Figure.12 Cluster-Analyses of Bundestag Sitzings 222 and 226 by Word Similarity	92
Figure.13 Election to the 12th German Bundestag on 2 December 1990	97
Figure.14 GNI per capita of the Two Koreas 2000-2011	105

List of Tables

	<i>Page</i>
Table.1 Parliamentary Debates for Cluster-Analysis by Word Similarity	25
Table.2 Bundestag Voting on the GEMSU Treaty	38
Table.3 Bundesrat Voting on the GEMSU Treaty	39
Table.4 Bundestag Voting on the Unification Treaty	41
Table.5 Bundesrat Voting on the Unification Treaty	42
Table.6 West German Public's Satisfaction with the Economic Status Quo (%)	46
Table.7 Expected Impact of German Unification on Niedersachsen People	47
Table.8 Most Concerned Negative Impacts of German Unification on Niedersachsen People (Multi-coding)	48
Table.9 Public Attitude to the GDR Immigrants (%)	52
Table.10 Chronology of West German Regional Governments' Loss-Avoidance for East German Immigration	54
Table.11 Chronology of the Repeal of the Entrance Law	58
Table.12 Expected Effects of German Unification on the West Germans (%)	63
Table.13 Baden-Württemberg's Partnership with Sachsen	65
Table.14 Economic Problems of East Germany	79
Table.15 Public Evaluation of Economic Situation in the East German Regions (%)	80
Table.16 Public Opinion on the Necessity of Tax Increase to Finance German Unification (%)	81
Table.17 Public Attitude to Tax Increase (%)	81
Table.18 Prevalent Personal Feeling for German Unification (%)	81
Table.19 Public Perception of German Unification as the FRG's Unilateral Financial Sacrifice for the GDR	82
Table.20 The Unification Treaty at the Bundesrat	86
Table.21 Extra Income & Expenditure after German Unity (Tentative Estimation of the Federal Government)	90
Table.22 Results of the Party-list Vote, 1990 Bundestag Election	98
Table.23 West German Public Perception of Party-Attitudes towards German Unification	100

Abbreviations and Acronyms

ALLBUS	Allgemeine Bevölkerungsumfrage der Sozialwissenschaften (The German General Social Survey)
CDU	Christian Democratic Union
CMEA	Council for Mutual Economic Assistance
CSU	Christian Social Union of Bavaria
DIP	Documentation and Information System for Parliamentary Processes
DM	Deutsche Mark (West German Mark)
EC	European Community
Entrance Law	Law for the Entrance of Germans to the Federal Border
FDP	Free Democratic Party
FRG	Federal Republic of Germany (West Germany)
GDP	Gross Domestic Product
GDR	German Democratic Republic (East Germany)
GEMSU	German Economic, Monetary and Social Union
GNI	Gross National Income
GNP	Gross National Product
NATO	North Atlantic Treaty Organization
UiD	Union in Deutschland (Union in Germany)
USD	United States Dollar

I. Introduction

A. The Puzzle

German unification in 1990 can be characterized by its swift pace of integration, particularly in the sequential order of economic integration to political integration.¹ Yet, the rapid pace of German unification has often been evaluated as economically sub-optimal because of the breakdown of the East German labor market and the large Federal Government deficits, which could have been mitigated through a more gradual approach to unification.²

Economic side-effects of hasty integration, particularly of hasty monetary integration, had been persistently warned by the German Central Bank (hereafter Deutsche Bundesbank or Bundesbank) since early 1990.³ Numerous economic experts of the

¹ Since the fall of the Berlin Wall on November 9, 1989, it took less than a year for the two Germanys to achieve both monetary convergence and political unification. The first state-treaty to establish the German Economic, Monetary and Social Union (hereafter GEMSU) between the German Democratic Republic (hereafter GDR or East Germany) and the Federal Republic of Germany (hereafter FRG or West Germany) was concluded on May 18, 1990, and entered into force on July 1, 1990. The second state-treaty for the establishment of German Unity was concluded on August 31, 1990. In consequence, the two Germanys officially celebrated the day of German Unity on October 3, 1990. The unified Germany eventually held the pan-German federal election in the following December, for the first time since 1933. For more details on the German unification process, see Brockmann, Stephen. "Introduction: The Reunification Debate." *New German Critique*, no. 52 (1991): 3-30.

² Neumann, Manfred J. M. "German Unification: Economic Problems and Consequences." *Carnegie-Rochester Conference Series on Public Policy* 36, (1992): 163-209. ; Siebert, Horst, Michael Burda, and Maurice Obstfeld. "German Unification: The Economics of Transition." *Economic Policy* 6, no. 13 (1991): 289-340.; Gagnon, Joseph E., Paul R. Masson, and Warwick J. McKibbin. "German Unification: What Have We Learned from Multi-Country Models?" *Economic Modelling* 13, no. 4 (1996): 467-97.

³ After West German federal chancellor Kohl's announcement in February 1990 of his plan to establish a monetary union, Karl Otto Pöhl – the president of the Bundesbank at the given time – strongly called for a more careful approach, on the basis that "the creation of integrated economic and monetary system is not a very simple process, which would generally take more than a year. Radical adjustments not only in monetary fields but also in other fields are necessary." Pöhl also commented that the Federal Government's suggested date of July 1, 1990 is 'too ambitious' as the date for monetary union. For more details, see Von Kaden, W. and H. Martens. "We Are Very Careful (Wir Werden Sehr Aufpassen)." *Der Spiegel*, 26.02. 1990, 107-10. <http://www.spiegel.de/spiegel/print/d-13507501.html> (accessed July 2, 2013)

Bundesbank publicly cautioned that monetary convergence without real-sector convergence would aggravate the economic situations of East Germany.⁴

In addition to the Bundesbank, the Social Democratic Party of Germany (*Sozialdemokratische Partei Deutschlands*; hereafter SPD) – the largest opposition party in West Germany at the given time – also voiced strong support for a slower pace of unification. From monetary integration to political unification, Oskar Lafontaine – the federal chancellor candidate of the SPD – was consistently in favor of a more gradual approach, which stood in stark contrast to the immediate approach of Helmut Kohl – the Federal Chancellor from the Christian Democratic Union.⁵

Given the persistent warnings from the Deutsche Bundesbank and the SPD throughout 1990, it is puzzling how the resulting swift pace of unification won domestic supports within West Germany. In particular, under the federal system of West Germany, major policy decisions necessitated supports from the governments of federal states (*Länder*).⁶ Taking this federal arrangement of West Germany into account, the following question arises:

Given the economic concerns, why did West German regional governments approve the swift pace of unification, despite the fact that they were clearly in a position to financially support German unification?

⁴ Morys, Matthias. "Was the Bundesbank's Credibility Undermined during the Process of German Reunification?": London School of Economics and Political Science, Department of Economic History, 2003.

⁵ For more details, see Fisher, Marc. "Bonn Socialists Oppose Treaty; Party Warns against Merging East, West German Economies." *The Washington Post*, May 22, 1990.

<http://search.proquest.com/docview/307268095?accountid=6802> (accessed July 2, 2013)

⁶ Under the West German federal system, participatory rights of federal states in the legislative and administrative affairs of the Federation were guaranteed by the Basic Law. The Bundesrat was a major constitutional body for this regional participation. For more details on the Bundesrat, see Wehling, Hans-Georg. "The Bundesrat." *Publius: The Journal of Federalism* 19, no. 4 (1989): 53-64.

B. Previous Studies

1. Previous Studies of German Unification

Earlier literature on German unification is mostly concerned with either international contexts or East German domestic dynamics. A number of scholars attribute the swift pace of German unification to favorable international circumstances. Three elements – support of the United States, changes within the Communist Block, and approval of regional powers such as the UK and France – are considered catalysts to the unification process.⁷ Another group of scholars focuses on East German public opinion, which was strongly in favor of swift German unification. The East German public is often recognized for its decisive role in the sudden collapse of the East German communist regime as well as the swift monetary integration of the two Germanys.⁸

Relatively little attention is paid to West German domestic interactions in the unification process. In most of the previous studies, West Germans are assumed to be passive reactors of political turmoil in both East Germany and the Communist Block. Though the claim holds true, that imposing such unforeseen changes within such short a period of time did not leave many options for the West Germans, it is inappropriate to disregard the internal dynamics of West Germany and their impact on the German unification process.

This relative indifference to West German domestic dynamics is misleading in

⁷ Zelikow, Philip and Condoleezza Rice. *Germany Unified and Europe Transformed: A Study in Statecraft*. Cambridge, MA: Harvard University Press 1995. ; Kaiser, Karl. "Germany's Unification." *Foreign Affairs*, 1990/1991, 179-205.

⁸ For more details on the role of the East German public in the collapse of GDR communist regime, see Hirschman, Albert O. "Exit, Voice, and the Fate of the German Democratic Republic: An Essay in Conceptual History." *World Politics* 45, no. 2 (1993): 173-202.

two perspectives. First, German unification fundamentally adopted a manner of extending West German constitutional principles to East German regions. Not only was West Germany affected by unforeseen events in East Germany, but East Germany that was acceded to West Germany, was also heavily influenced by the internal dynamics of West Germany, where major decision-makings of unification actually took place.

Second, when it comes to West Germany's domestic legislation for German unification, a rapid integration between the two Germanys might not have been possible without the approval of the regional governments under the federal arrangement. Both of the two state-treaties of German unification required the Bundesrat's consent,⁹ and the West German federal states (*Länder*) made great efforts to take part in major decision-makings of the unification process through the Bundesrat.¹⁰ In this light, assessing the preferences of the West German regional governments carries substantial significance in understanding the German unification process.

In brief, the internal politics of West Germany during the process of unification is worth a close examination. This thesis is induced by both the significance of West German domestic dynamics and the earlier negligence of this significance.

⁹ McCurdy, Gregory v.S. "German Reunification: Historical and Legal Roots of Germany's Rapid Progress towards Unity." *New York University Journal of International Law & Politics* 22 (1990): 253-317..

¹⁰ Bremische Bürgerschaft Landtag. "Statement by the City President (Mitteilung des Präsidenten der Bürgerschaft)." *State Parliament Official Documents (Bremische Bürgerschaft Landtag Drucksache)*, no. 12/893 (June 6, 1990).; Bayerischer Landtag. "Urgent Proposal by the Assemblyman Dr. Magerl, Bäumer, Dr. Kestel, Memmel Romberg Rothe, Scheel, Prof. Dr. Armin Weiß and the Greens (Dringlichkeitsantrag)." *Bayerischer Landtag Drucksache*, no. 11/15127 (February 20, 1990).

2. Previous Studies of West German Party Politics in 1990

There is rich literature on party politics during the specific unification process of the two Germanys. Yet, most of the studies are primarily concerned with the efforts made by the party leaders of the major West German political parties. A particular area of concern has been the competition among West German political parties for the East German parliamentary election of March 1990.¹¹ West German-side dynamics have been left largely unexamined.

Given the small number of studies interested in party politics within West Germany during 1990, most of the attention has been directed to the federal-level party competitions for the all-German federal election held on December 2, 1990. More precisely, great interest was paid to the victory of the government coalition – the coalition of the Christian Democratic Union (hereafter CDU) / the Christian Social Union of Bavaria (hereafter CSU) and the Free Democratic Party (hereafter FDP).

Two major rationales can be found for the electoral success of the government parties. First, the CDU/CSU and the FDP could take advantage of their positions as ruling parties, since they were in a position to take initiatives in the German unification process.¹² By achieving both economic and political integration within a considerably short period of time, leaders of these three parties were able to appeal to the public as competent politicians to manage all-German politics. Hans-Dietrich Genscher of the FDP

¹¹ Hancock, M. Donald, and Helga A. Welsh. *German Unification : Process and Outcomes*. Boulder: Westview Press, 1994. ; Anderson, Christopher, Karl Kaltenthaler, and Wolfgang Luthardt. *The Domestic Politics of German Unification*. Boulder, Colo.: Lynne Rienner, 1993.

¹² Patton, David. "Social Coalitions, Political Strategies, and German Unification, 1990–1993." *West European Politics* 16, no. 4 (October 1, 1993): 470-91.

provides a good example, since his reputation as one of the main contributors to German unification notably intensified his popularity.¹³

Second, the opposing parties, including the Social Democratic Party of Germany, were less successful than the government coalition in the sense that they could not provide a credible framework for a unified Germany. Kitschelt indicates that the Social Democrats failed to integrate concepts of nation and national identity into the party's earlier political discourses.¹⁴ Another study by Kvistad also evaluates the efforts made by each party to accommodate party identities against the backdrop of a shifting political environment under unification.¹⁵ Again, the CDU turned out to be more successful than any other party.¹⁶

Though earlier literature has well identified significant aspects of West German party politics throughout the process of German unification, there are two fundamental drawbacks common to the approaches of previous literature. First, previous studies have taken an extremely end-state based approach, with little knowledge on party behaviors on the path of unification. Second, earlier studies have paid little attention to the preferences of West German regional governments at the time of unification.

The neglect on party politics during the unification process is problematic, because it suggests incomplete insight for such a significant change in West German public opinion. Studies on West German public attitude towards German unification

¹³ Jeffery, Charlie. "Voting on Unity: The German Election of 1990." *International Relations* 10, no. 4 (November 1, 1991): 329-45.

¹⁴ Kitschelt, Herbert. "The 1990 German Federal Election and the National Unification: A Watershed in German Electoral History?" *West European Politics* 14, no. 4 (October 1, 1991): 121-48.

¹⁵ Kvistad, Gregg O. "The 'Borrowed Language' of German Unification: State, Society and Party Identity." *German Politics* 3, no. 2 (August 1, 1994): 206-21.

¹⁶ *Ibid.*

revealed ambiguity as the most outstanding character. The lack of stable and integrated preference on unification among West Germans allowed the West German Federal Government to carry out its own unification plan without any substantial opposition from the general public.¹⁷ Interestingly, this sense of ambiguity in West German public opinion somehow transformed into a positive evaluation on the rapid integration, which was evident in the final outcome of the pan-German federal election in December 1990.¹⁸ Existing studies failed to provide sufficient explanations for this considerable shift in West German public opinion. This thesis tries to fill in this loophole in earlier literature, by analyzing how party politics initiated the change in West German public attitude towards German unification.

By exclusively focusing on the role of central party leaderships and their behaviors at a federal level, scholars also failed to contemplate on the puzzling question of why West German regional governments were more persuaded by Kohl's (CDU) rapid approach to unification than the gradual approach suggested by Lafontaine (SPD).¹⁹ It is puzzling in a sense that major economic experts, including the independent Deutsche Bundesbank, had already publicly warned of the economic side-effects of a rapid approach to unification,²⁰ and such warnings should have empowered Lafontaine's initiative. Given the relative weakness of the rapid approach to unification in terms of

¹⁷ Unger, Frank. "Discourses of Unity and Some Reflections about Their Aftermath." *German History* 9, no. 2 (1991): 173-83.

¹⁸ Kuechler, Manfred. "The Road to German Unity: Mass Sentiment in East and West Germany." *Public Opinion Quarterly* 56, no. 1 (March 20, 1992): 53-76.

¹⁹ Oskar Lafontaine, the chancellor candidate of the SPD, and Helmut Kohl, the federal chancellor of the given time, were competing for the all-German federal election of December 1990.

²⁰ Duckenfield, Mark. "Bundesbank - Government Relations in Germany in the 1990s: From GEMU to EMU." *West European Politics* 22, no. 3 (July 1, 1999): 87-108.

economic optimality, inter-governmental relations of West Germany in 1990 should be carefully studied to comprehend why the rapid approach was more popular among West German regional governments than the gradual approach.²¹

C. Research Question

The fundamental aim of this thesis is to answer the following question by examining West German party politics in 1990:

Given the economic concerns, why did West German regional governments approve the swift pace of unification advocated by the incumbent coalition, despite the fact that they were clearly in a position to financially support German unification?

The substantive scope of analysis will be limited to party politics within West Germany during the unification year, because earlier studies paid relatively little attention to domestic interactions of West Germany, in spite of their significant effects on the process of German unification. This thesis intends to fill in this missing gap.

This thesis will specifically focus on the preferences of West German regional governments on major policy decisions of German unification, and how this preference affected the unification process. Particular attention will be paid to West German regional governments' perception of two major economic losses expected from unification – increased immigration and increased burden of public finance. The perception of these two losses will be considered the major determinant of regional governments' preference

²¹ For the term intergovernmental relation, this thesis basically adopts the most widely accepted concept of Wright, which means the interactions among public officials at all levels (nation-state-local) of governmental units. For more details, see Wright, Deil Spencer. *Understanding Intergovernmental Relations: Public Policy and Participants' Perspectives in Local, State, and National Governments*. Duxbury Press, 1978.

on the pace of unification. Unification financing and immigration are specifically chosen, because the general public and economic experts often conceive these two factors as the most plausible losses of integrating with an economically under-developed region.²²

²² In numerous studies of South Korean public opinion on Korean unification, the problem of unification financing ranked high on the list of public concerns. Many economic experts revealed great concerns for a prospective huge labor migration from North to South after Korean unification. For more details, see Sung, Jang Hwan and Young Ha Kim (성장환, 김영하). "A Study on Education-Majoring Students' Perception of Unification Cost (교대생들의 통일비용에 관한 의식 조사연구)." *Korean Journal of Political Science (대한정치학회보)* 10, no. 1 (2002): 165-94.; KBS. "2012 Survey on South Korean Public Perception of Korean Unification (2012 국민통일의식조사)" <http://office.kbs.co.kr/tongil/>. (accessed May 6, 2013) ; Yoo, Byoung Hark and Sung Min Mun (문성민, 유병학). *The Effects of Inter-Korean Integration Type on Economic Performance : The Role of Wage Policy*. Seoul: Economic Research Institute, The Bank of Korea, 2012.

II. Analytical Framework

A. Previous Studies of Political Parties in Federal Systems

Political parties operating in federal systems have attracted great academic interests in recent years. This is partly due to the growing significance of European level policy-making and the increasing identification of the European system as being ‘multilayered’.²³ The trend that electoral politics in major unitary states of Western democracies is shifting towards ‘denationalization’ or ‘decentralization’ also fosters academic attention to the party politics under federal systems.²⁴ In other words, a federal system is now largely considered as a good testing ground for observing how political parties behave and organize themselves within multi-level institutional arrangements.

Many efforts have been made to develop a general understanding of party politics in federal systems. A major finding is that a federal system exhibits a significantly greater extent of complication in party politics than a unitary system does. This complication is often attributed to the negative impact a federal arrangement has on national party cohesion.²⁵ Party cohesion is eroded by federalism in two senses. Firstly, politicians have more institutional incentives to articulate sub-national interests under a federal system than under a unitary system. Secondly, there is a tension between regional

²³ Deschouwer, Kris. "Political Parties in Multi-Layered Systems." *European Urban and Regional Studies* 10, no. 3 (July 1, 2003): 213-26.

²⁴ Hopkin, Jonathan. "Political Decentralization, Electoral Change and Party Organizational Adaptation: A Framework for Analysis." *European Urban and Regional Studies* 10, no. 3 (July 1, 2003): 227-37.

²⁵ For more details on the negative effect of federalism on party cohesion, see Press, Charles. "Presidential Coattails and Party Cohesion." *Midwest Journal of Political Science* 7, no. 4 (1963): 320-35.; Wildavsky, Aaron. "Party Discipline under Federalism: Implications of Australian Experience." *Social Research* 28, no. 4 (Winter 1961): 437-58.

and national interests, particularly against the backdrop of the competition between regional governments and the central government over resources and power.²⁶

The influence of federalism on party cohesion varies across different types of federal systems. Mayer's study suggested that party cohesion is lower and electoral support follows a more centrifugal pattern in a 'coherent' federal system where legal institutions of federalism coincide well with the economic and cultural geography of diversities.²⁷ Chandler and Chandler focused more on how federal arrangements are structured, and identified two distinct types of federal systems – 'jurisdictional' and 'functional.'²⁸ A jurisdictional federal system is primarily concerned with duplicating two semi-autonomous levels of authority each of which is endowed with full jurisdictions. A functional federal system is basically interested in jurisdiction-sharing between two levels of authority. Under this vision, political conflicts in a jurisdictional system are often dominated by federal-provincial interactions than by partisan interactions, and vice versa for a functional system.²⁹

Given the general tendency of federal systems to derogate party cohesion, another group of studies has been particularly interested in intra-party relations in federal systems. How do parties organize themselves to retain unity? How does the national party leadership manage its sub-national branches? These are the central questions that scholars ask when examining intra-party relations. Theoretical frameworks of organizational

²⁶ Desposato, Scott W. "The Impact of Federalism on National Party Cohesion in Brazil." *Legislative Studies Quarterly* 29, no. 2 (2004): 259-85.

²⁷ Mayer, Lawrence. "Federalism and Party Behavior in Australia and Canada." *The Western Political Quarterly* 23, no. 4 (1970): 795-807.

²⁸ Chandler, William M., and Marsha A. Chandler. "Federalism and Political Parties." *European Journal of Political Economy* 3, no. 1-2 (1987): 87-109.

²⁹ *Ibid.*

studies are often imported in this regard, in which political parties are conceived as vote-maximizing organizations. The main idea is that the national leadership of a state-wide party strategically controls its sub-national branches via diverse control mechanisms, of which 'contract' is an outstanding example.³⁰

In summary, party politics in federal systems appears to be more complicated than in unitary systems, because federalism has negative effects on party cohesion. The magnitude of these negative impacts can vary across different types of federal systems. The central leadership of a state-wide party has developed various intra-party control mechanisms against this de-centralizing force of federal systems

B. Prospect Theory

Existing studies of party politics in federal systems often take regional preferences as exogenously determined, and rarely touch upon the issue of regional preference formation and change.³¹ Given the minimal conceptual tools to describe the regional preference dynamics, this thesis adopts a psychological framework of risky decision-making proposed by Kahneman and Tversky.³²

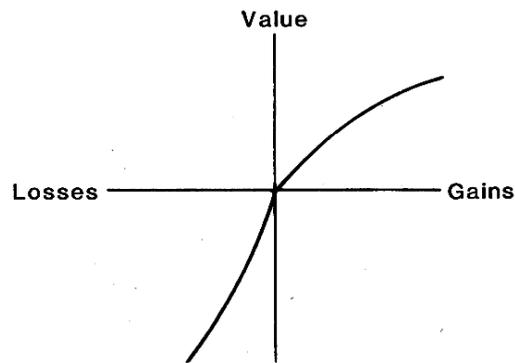
³⁰ Carty, R. Kenneth. "Parties as Franchise Systems: The Stratarchical Organizational Imperative." *Party Politics* 10, no. 1 (January 1, 2004): 5-24.; van Houten, Pieter. "Multi-Level Relations in Political Parties: A Delegation Approach." *Party Politics* 15, no. 2 (March 1, 2009): 137-56.

³¹ Most of the previous studies of inter-governmental relations have not made clear specifications for regional preferences. Local governments are simply presumed to compete with the central government for greater allocation of responsibilities/jurisdictions and financial resources. See Rhodes, R. A. W. "Analysing Intergovernmental Relations." *European Journal of Political Research* 8, no. 3 (1980): 289-322.; Cribfield, Brevard, and H. Clyde Reeves. "Intergovernmental Relations: A View from the States." *The ANNALS of the American Academy of Political and Social Science* 416, no. 1 (November 1, 1974): 99-107.

³² Kahneman, Daniel, and Amos Tversky. "Prospect Theory: An Analysis of Decision under Risk." *Econometrica* 47, no. 2 (1979): 263-91.

Any decision regarding reunification – from ‘whether to reunify or not’ to ‘how to reunify’ – is risky, considering how likely inappropriate decisions could cause collective losses. In addition, under a federal system where each region is endowed with constitutional rights to directly participate in major policy decisions of the Federation,³³ a policy choice itself can be risky for an individual region, since it can never be certain at the time of decision-making whether one’s policy choice will actually improve its regional welfare or not.

Figure.1 A Hypothetical Value Function



*Cited from Tversky, Amos, and Daniel Kahneman. "Rational Choice and the Framing of Decisions." *The Journal of Business* 59, no. 4 (1986): S259.

Prospect theory provides an analytical framework for risky decision-making by introducing a value function and a weighting function. A value function essentially serves to evaluate a value associated with a certain prospect – whether an offered prospect is a loss or a gain. The main insight is the reference point-dependency of people’s evaluation.

³³ Watts, Ronald L. "Federalism, Federal Political Systems, and Federations." *Annual Review of Political Science* 1 (1998): 117-37.

Prospect theory claims that when people make choices under risks, they are keen to react to changes in their wealth from a certain reference point. A definite state of wealth is of little significance for actual decision-making. In more technical terms, a value is a function of “the asset position that serves as a reference point and the magnitude of the change (positive or negative) from that reference point.”³⁴

Depending upon whether the prospective changes of wealth is taking place in the domain of gains or in that of losses, people show considerably different pattern of attitudes. First, a risk-averse pattern for gains and a risk-taking pattern for losses are observed. These different patterns of attitude result in a value function that is concave for gains, convex for losses and in general kinked at the reference point. Second, people experience greater value changes by losses than by gains – the value of loss looms greater than the value of comparable gains. Thus, the value function is “steeper for losses than for gains.”³⁵

These asymmetrical impacts of losses and gains on value suggest that people tend to take the given status quo as a reference point. This general tendency to maintain a status quo was specifically labeled as the ‘status quo bias’ by Samuelson and Zeckhauser.³⁶ From the perspective of prospect theory, people show status quo bias because “the disadvantages of leaving it loom larger than advantages.”³⁷ Recent studies of prospect theory have further clarified that the higher one’s level of satisfaction with the

³⁴ Kahneman and Tversky. "Prospect Theory: An Analysis of Decision under Risk.":277.

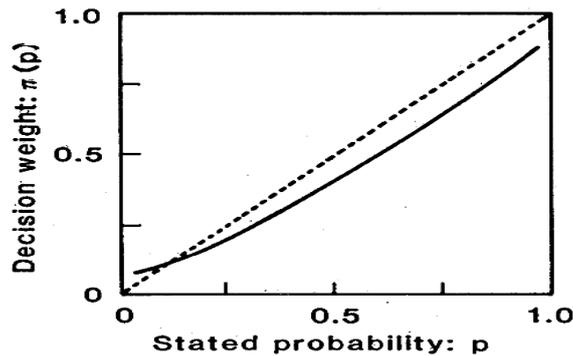
³⁵ Ibid: 279.

³⁶ Samuelson, William, and Richard Zeckhauser. "Status Quo Bias in Decision Making." *Journal of Risk and Uncertainty* 1, no. 1 (1988): 7-59.

³⁷ Kahneman, Daniel, Jack L Knetsch, and Richard H Thaler. "Anomalies: The Endowment Effect, Loss Aversion, and Status Quo Bias." *The Journal of Economic Perspectives* 5, no. 1 (1991): 193-206.

given status quo, the greater one's susceptibility to the status quo bias.³⁸ Dissatisfaction with the status quo might lead to a reference point at an alternative aspiration.³⁹

Figure.2 A Hypothetical Weighting Function



*Cited from Kahneman, Daniel, and Amos Tversky. "Prospect Theory: An Analysis of Decision under Risk." *Econometrica* 47, no. 2 (1979): 283.

Together with the S-shaped value function that determines the value of a given prospect, a weighting function also plays a crucial role in risky decision makings by determining the subjective desirability associated with the prospect. Decision weights cannot be interpreted simply as perceived probabilities, as a standard expected utility model would suggest. This is because people have difficulties in measuring extreme probabilities in both directions. If an offered prospect is associated with either a probability that is too low or too high, a person tends to either overweight or neglect the prospect. In consequence, the decision weight is "not well-behaved near the end-

³⁸ Berejikian, Jeffrey D. "Model Building with Prospect Theory: A Cognitive Approach to International Relations." *Political Psychology* 23, no. 4 (2002): 759-86.; Jervis, Robert. "The Implications of Prospect Theory for Human Nature and Values." *Political Psychology* 25, no. 2 (2004): 163-76.

³⁹ Levy, Jack S. "Loss Aversion, Framing Effects, and International Conflict." *Handbook of War Studies II* (2000): 193-221.; Stein, Janice Gross. "International Co-Operation and Loss Avoidance: Framing the Problem." *International Journal* 47, no. 2 (1992): 202-34.

points.⁴⁰

A final evaluation of an offered prospect is decided by a multiple of the value drawn from a value function and the decision weight drawn from a weighting function. The interplay between the two functions results in many interesting decision-making behaviors, which are viewed as irrational from the perspective of a standard expected utility theory. One good example is the so-called ‘certainty effect.’ The core idea is that the effect of certainty appears in opposite directions for gains and losses. That is, people show “a risk seeking preference for a loss that is merely probable over a smaller loss that is certain” in the negative domain, and the opposite pattern of “a risk-averse preference for a sure gain over a larger gain that is merely probable” in the positive domain.⁴¹

Though the prospect theory was initially developed to analyze individual decision-making under risks, previous studies, which applied prospect theory to political decision-makings, have proven the validity of extending the prospect theory’s level of analysis from an individual to a collective unit.⁴² Given the empirical weaknesses of rational choice theories, scholars of political science and international relations imported prospect theory as an alternative to the expected-utility model.⁴³ The scope of application is comprehensive. Some studies simply replicated basic insights of prospect theory to

⁴⁰ Kahneman and Tversky. "Prospect Theory: An Analysis of Decision under Risk." :283.

⁴¹ Ibid:268.

⁴² See Berejikian, Jeffrey. "The Gains Debate: Framing State Choice." *The American Political Science Review* 91, no. 4 (1997): 789-805.; Levi, Ariel S., and Glen Whyte. "A Cross-Cultural Exploration of the Reference Dependence of Crucial Group Decisions under Risk: Japan's 1941 Decision for War." *Journal of Conflict Resolution* 41, no. 6 (December 1, 1997): 792-813.

⁴³ Levy, Jack S. "Applications of Prospect Theory to Political Science." *Synthese* 135, no. 2 (May 1, 2003): 215-41.

predict individual political orientation and behaviors under experimental settings.⁴⁴ Another group of studies deployed prospect theory to identify cause of defeats or successes for mass mobilizations in actual collective decision-makings, such as treaty ratifications, elections and economic reforms.⁴⁵

Given the numerous precedents applying prospect theory to political decision-makings, this thesis will also show the analytical effectiveness of prospect theory in the realm of party politics in federal systems. In particular, the concept of reference-points is applied with great analytical use to examine regional preferences in intergovernmental relations.

C. Propositions

The analytical framework deployed in this thesis is based on the psychological model of risky choice. A core argument of this thesis is that with the increasing imminence of German unification, West German regional governments formed one common reference point at the pre-unification economic status quo. This proposition is grounded upon the endowment effect of prospect theory, that people instinctively overvalue what they

⁴⁴ Peterson, Steven A., and Robert Lawson. "Risky Business: Prospect Theory and Politics." *Political Psychology* 10, no. 2 (1989): 325-39 ; Boettcher, William A. . "Adapting Prospect Theory to the Study of Foreign Policy Decision Making: A Series of Experimental Explorations." In *Annual Meeting of the International Studies Association*. Montreal, Quebec, Canada, 2004.

⁴⁵ Hancock, Landon E., and Joshua N. Weiss. "Prospect Theory and the Failure to Sell the Oslo Accords." *Peace & Change* 36, no. 3 (2011): 427-52.; Hancock, Landon E. "There Is No Alternative: Prospect Theory, the Yes Campaign and Selling the Good Friday Agreement." *Irish Political Studies* 26, no. 1 (February 1, 2011): 95-116.; O'Connell, David. "Situational Gamblers: Prospect Theory and the Commonalities of Presidential Campaign Management." *Presidential Studies Quarterly* 41, no. 1 (2011): 64-92.; Weyland, Kurt. "Limitations of Rational-Choice Institutionalism for the Study of Latin American Politics." *Studies in Comparative International Development* 37, no. 1 (March 1, 2002): 57-85.

already have in comparison to what they covet.⁴⁶ By the time of unification, the East German Gross Domestic Product (hereafter GDP) made up only 15% of the GDP of the whole Germany.⁴⁷ Given this considerable economic gap between two Germanys, West German *Länder* formed a common front to sustain pre-unification state of wealth during the process of unification. This proposition is also in line with findings of previous literatures on West German public opinion, which revealed that West Germans were primarily concerned with economic calculations rather than nationalistic aspirations in the process of unification.⁴⁸

Based on the reference point at the pre-unification economic status quo, West German *Länder* found themselves in the domain of loss for two specific issue areas – immigration and public finance. German unification involved numerous prospects across diverse issues. For most of these prospects, forming a clear estimation of associated values and certainties was virtually impossible. Out of the unclear prospects that German unification entailed, West Germans found themselves unambiguously in the domain of loss for two issue areas – immigration ($V(\text{Immigration}) < 0$) and public finance ($V(\text{Public Finance}) < 0$).⁴⁹ According to the basic tenets of prospect theory, people are more willing to take risks to avoid losses than to achieve gains – in general, people are more likely to be mobilized by losses than by gains. Thus, this thesis further suggests that two negative prospects – increased immigration and increased burden of public finance – played a

⁴⁶ Prospect theory labels this particular pattern of behaviors as ‘endowment effect.’ For more details, see Mercer, Jonathan. "Prospect Theory and Political Science." *Annual Review of Political Science* 8 (2005): 1-21.

⁴⁷ Sinn, Hans-Werner "Macroeconomic Aspects of German Unification." In *Economic Aspects of German Unification*, edited by P.J. Welfens, 79-133. Berlin, Heidelberg, New York and Tokyo: Springer, 1992.

⁴⁸ Kuechler, Manfred. "The Road to German Unity: Mass Sentiment in East and West Germany.":53-76.

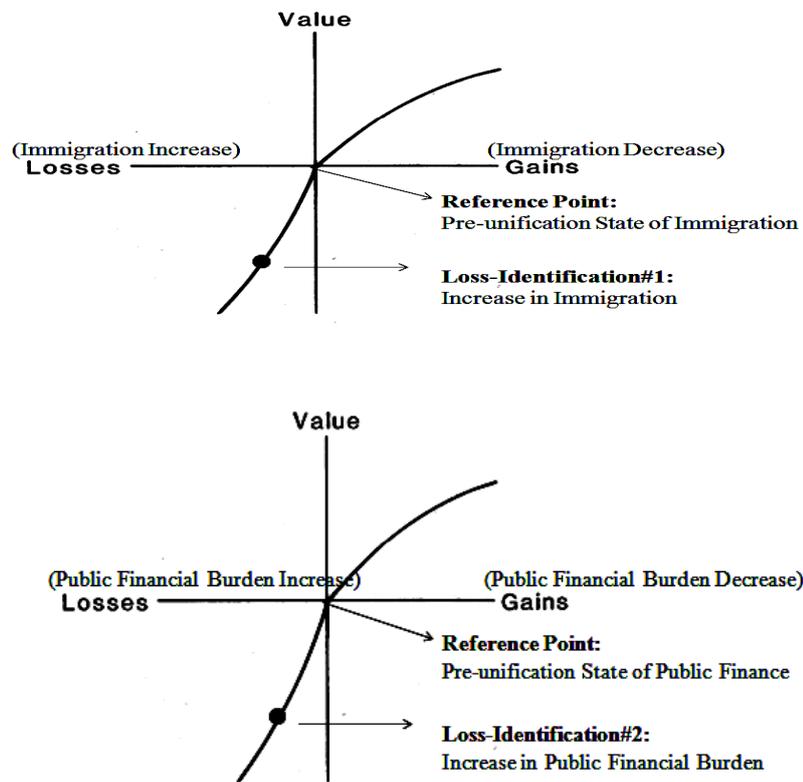
⁴⁹ Veen, Hans-Joachim. "German Unity: Public Opinion and Voting Trends." *The Washington Quarterly* 13, no. 4 (December 1, 1990): 177-89.

crucial role in major decision makings of West German regional governments in the path of unification. In summary, the first proposition of this thesis states that:

PROPOSITION.1

Unification with economically under-developed East Germany induced West German regional governments to form a common reference point at the pre-unification state of wealth, and thereby placed themselves in the domain of loss for two specific issues –immigration and public finance – during the unification process.

Figure.3 West German Länder Preferences during the Unification Process



*A Hypothetical Value Function was cited from Tversky, Amos, and Daniel Kahneman. "Rational Choice and the Framing of Decisions.":S259. Further elaborations of reference point and loss-identifications were added by author.

Given the negative prospects of increased immigration and increased burden of public finance, this thesis further proposes that West German regional governments showed greater loss-avoidance for short-run losses than for long-run losses. According to the certainty effect of prospect theory, the extent of loss-avoidance was fundamentally determined by a perceived certainty associated with the given loss. An increase in certainty leads into greater risk-taking in a domain of loss. Thus, a choice of a plausible loss is preferred over a choice of a smaller but certain loss. Applying this certainty effect to the process of unification, the certainty of a short-run loss is generally higher than that of a long-run loss, because a perceived certainty of a loss is inversely proportional to delay in time. This inverse relationship is particularly distinct in the process of unification, due to the high uncertainty inherent to any prospects of unification. The second proposition of this thesis is therefore stated as follows:

PROPOSITION.2

Given the high level of uncertainty inherent to prospects of unification, West German regional governments revealed greater loss-avoidance for short-run losses than for long-run losses.

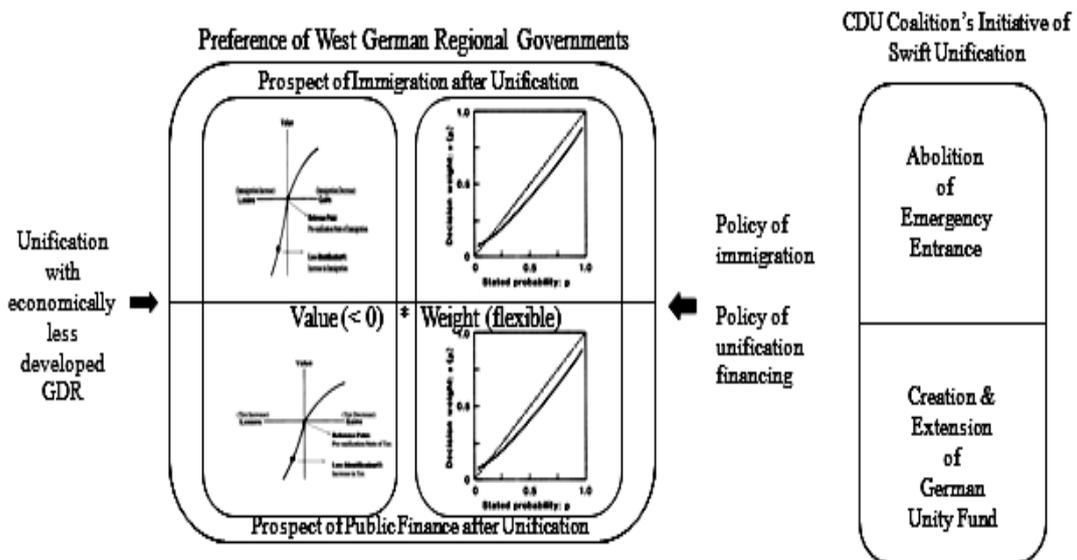
The government coalition parties – the CDU/CSU and the FDP – were more successful than the biggest opposition party – the SPD – in terms of unification initiatives, because they strategically presented a swift approach to unification as the best choice to minimize short-run losses. Particularly, their offering of two policies – abolition of the Entrance Law (*Aufnahmegesetz*) and creation of the German Unity Fund (*Fonds deutsche Einheit*) played a crucial role in their success. The abolition of the Entrance Law made good use of West German *Länder's* loss-avoidance for increase in East German immigration. The creation of the German Unity Fund also took advantage of regional

governments' future-cost-discounting for unification financing. By strategically combining these two policies into the choice of rapid unification, incumbent parties took the initiative during the unification process, and eventually won in the December all-German federal election. Below is the last proposition of this thesis:

PROPOSITION.3

In spite of economic concerns for the swift pace of unification, the incumbent parties could push forward their instant approach to unification with two policy instruments – abolition of the Entrance Law and creation of the German Unity Fund, which respectively made good use of regional governments' loss-avoidance for increased immigration and increased burden of public finance.

Figure.4 Analytical Framework



D. Methodology

1. Analytical Objectives

The analytical objective of this thesis is to examine the preference of West German regional governments during the process of unification. The West German federal system is considered a basic institutional context. The process of domestic legislation of German unification will be examined in the light of federal arrangements, as a preliminary analysis.

For the main analysis, three different types of West German actors will be studied – the general public, regional governments represented at the Bundesrat, and central party leaderships of two major political parties – the CDU as the biggest incumbent party and the SPD as the biggest opposition party.⁵⁰

Based on the creation of German Economic, Monetary and Social Union (*Währungs-, Wirtschafts- und Sozialunion*; hereafter GEMSU) on July 1, 1990, this thesis will divide the German unification year into two phases. For each phase, domestic dynamics of immigration increase and public financial burden increase will be evaluated. These dynamics include domestic preferences, party platforms of two major West German political parties and inter-governmental relations. Preferences of both the general

⁵⁰ West Germany's party system in the 1980s was often viewed as a 'three' or 'two-and-a-half' party system. The major parties were identified as the CDU/(CSU), the SPD and the FDP, among which the CDU/(CSU) and the SPD reserved greater weight than the FDP. During the unification year of 1990, a coalition consisted of the CDU/CSU and the FDP was in office, and the SPD was the biggest opposition party. Given the fact that no significant intra-coalition conflicts were found among the CDU, the CSU and the FDP during 1990, this thesis will limit its scope of analysis only to two major parties – the CDU and the SPD. The CDU's party platform will be considered as representing the party platforms of its coalition parties as well – the CSU and the FDP. For more details on West German party system in 1980s, see Pappi, F.U. "The West German Party System." *West European Politics* 7, no. 4 (1984): 7-26.; Smith, Gordon. "The Changing West German Party System: Consequences of the 1987 Election." *Government and Opposition* 22, no. 3 (1987): 131-44.

public and regional governments will be analyzed with Kahneman and Tversky's prospect theory.⁵¹ Party platforms will be examined for the CDU and the SPD. Inter-governmental relations will be studied for interactions between regional governments and central leaderships of political parties.

2. Data

a. The General Public

For the West German public opinion, three public opinion polls conducted in 1990 will be examined. All the following opinion polls are accessible online, at the website of Leibniz Institute for Social Sciences (www.gesis.org).

- The German General Social Survey (*Die allgemeine Bevölkerungsumfrage der Sozialwissenschaften*; ALLBUS) 1990, ZA3714 by Leibniz Institute for Social Sciences
- *Kieler* Election Study (*Kieler Wahlstudie*) 1990, ZA1959 by Leibniz Institute for Social Sciences
- Politbarometer Survey 1990, ZA1920 by *Forschungsgruppe Wahlen*

b. Regional Governments

The preferences of regional governments will be deduced from the following parliamentary materials published in 1990. The Bundesrat materials are available online via the Documentation and Information System for Parliamentary Processes (DIP) of the Bundestag (<http://dip.bundestag.de/>). Regional parliamentary materials are open for download at the *Parliamentsspiegel* website (<http://www.parlamentsspiegel.de>).

- Official documents (*Drucksache*) of the Bundesrat
- Stenographic reports (*Plenarprotokolle*) of the Bundesrat
- Official documents of regional parliaments (*Landtag*)

⁵¹ Kahneman, Daniel, and Amos Tversky. "Prospect Theory: An Analysis of Decision under Risk.": 263-91.

c. National Party Leaderships of CDU and SPD

The materials below will be analyzed for party platforms of two major political parties. The Union in Germany (UiD) is an intra-party news magazine for the Christian Democratic Union of Germany. The UiD published in 1990 is accessible online at the website of Konrad Adenauer Foundation (<http://www.kas.de>). The CDU's campaign for 1990 federal election is also available at the same website. The Social Democrats News Service is an intra-party news magazine for the Social Democratic Party of Germany, and available at the online library of Friedrich-Ebert Foundation (<http://library.fes.de/>). The SPD's federal election campaign of 1990 is also accessible at the same website. The Bundestag stenographic reports can be downloaded from the Bundestag DIP website. The electoral outcome of 1990 federal election is available at the webpage of Federal Returning Officer of Germany (<http://www.bundeswahlleiter.de/en/>).

- The Union in Germany (*Union in Deutschland*; UiD)
- The Social Democrats News Service (*Sozialdemokratischer Pressedienst*)
- 1990 Federal Election Campaigns of the CDU and the SPD
- Stenographic reports (*Plenarprotokolle*) of the Bundestag
- 1990 Federal Election Data from the Federal Returning Officer of Germany

3. Methods

This thesis will primarily conduct a qualitative analysis. Statistical data and the primary documents listed above will be thoroughly studied, and other relevant secondary literatures will also be referred to.

In supports of qualitative analysis, cluster analysis by word similarity will be conducted for the parliamentary debates suggested in the Table.1 below. These debates are selected, because they are directly relevant to two state-treaties of German unification

– Treaty on GEMSU and Unification Treaty.

Table.1 Parliamentary Debates for Cluster-Analysis by Word Similarity

Parliamentary Sitting	Date	Daily Agendum#(Theme)	Stenographic Report Page
Bundesrat 618	07-Sep-90	2(Unification Treaty)	457A-490A
Bundestag 212	23-May-90	1(Treaty on GEMSU)	16666A-16712A
Bundestag 217	21-Jun-90	23(Treaty on GEMSU)	17141A-17280B
Bundestag 222	05-Sep-90	1(Unification Treaty)	17484C-17551D
Bundestag 226	22-Sep-90	3&4(Unification Treaty)	17803B-17898C

Detailed procedures of cluster analysis are as follows: First, each parliamentary debate is excerpted from a longer stenographic report, and then divided into multiple nodes based on the speaker's party affiliation. There are a total of five nodes – the Federal Government, the coalition of CDU/CSU-FDP, the SPD, the Greens, and no party affiliation. A between-node-cluster analysis is conducted, based on word similarity (Pearson correlation coefficient). NVivo 10 is used for the cluster analysis.

III. The Federal System of West Germany and German Unification

This chapter gives an overview of the West German federal system before German unification. After the financial reform in May 1969, West Germany represented ‘cooperative federalism,’⁵² which provided the basic institutional framework of West German party politics during the process of unification. In particular, the federal system offered West German regional governments various effective institutional tools – which were mostly exercised through the Federal Council (*Bundesrat*) – to engage in major decision-makings of German unification.

A. The Federal System of West Germany: Cooperative Federalism

For West Germany, federalism was one of the basic principles of states order.⁵³ Regional authorities such as federal states (*Länder*), counties (*Kreise*) and communes (*Gemeinden*) were viewed as significant representative bodies of regional population. Self-governance of local communities was guaranteed by the Basic Law.⁵⁴

Under the West German federal system, government power was distributed between the Federation and the *Länder*, which made intergovernmental cooperation

⁵² For more details on how the term ‘cooperative federalism’ has been used in academic studies, see Umbach, Maiken. *German Federalism : Past, Present, Future*. Houndmills, Basingstoke, Hampshire ; New York: Palgrave, 2002.

⁵³ Article 20 of the Basic Law stipulated that “the Federal Republic of Germany shall be a democratic and social state.” See the Basic Law of the Federal Republic of Germany, as amended up to and including 23 August 1976. Article 20.

⁵⁴ The Basic Law of the Federal Republic of Germany, Article 28.

essential. Implementation and administration of government powers were basically incumbent on the *Länder*, as prescribed in Article 30 and Article 83 of the Basic Law. The Federal Government could exercise supervision for the *Länder's* execution of the federal laws, as permitted in Article 84 of the Basic Law.

Legislative powers were mainly conferred to the Federation, as provided in Article 70 of the Basic Law. Pursuant to Article 71 and Article 73, the Federation had exclusive legislative powers for issues such as foreign affairs, defense, federal citizenship and immigration. The *Länder* could exercise legislative powers for matters within concurrent legislation, but only “to the extent that the Federation did not exercise its right to legislate.”⁵⁵

In legislative procedures, the Federal Parliament (*Bundestag*) and the Federal Council (*Bundesrat*) played significant roles. The Bundestag consisted of deputies elected by a national election, which was held every four years. The Bundestag played a central role in federal legislation, because any bills intended to become federal laws required adoption by the Bundestag with a majority of the votes.⁵⁶

The Bundesrat was a constitutional body for the *Länder's* participation in the legislation and administration of the Federation. The Bundesrat consisted of members of *Land* governments. Each *Land* had three to five votes based on the number of its inhabitants. Votes assigned to each *Land* could be cast ‘only as a block vote.’⁵⁷

Concerning the legislative power of the Bundesrat, bills were categorized into

⁵⁵ The Basic Law of the Federal Republic of Germany, Article 72.

⁵⁶ The Basic Law of the Federal Republic of Germany, Article 77 and Article 41.

⁵⁷ The Basic Law of the Federal Republic of Germany, Article 51.

two types – a type that required the consent of the Bundesrat and another type that did not required the consent of the Bundesrat. For a bill of the latter type, the Bundesrat was still able to raise objection with the majority of the votes, and this Bundesrat objection could be only overruled by the majority of the votes of the Bundestag.

As a consultation body between the Bundesrat and the Bundestag, Article 53a of the Basic Law specifically mentions the Joint Committee. The Bundestag deputies constituted two-thirds of the members of the Joint Committee, and the Bundesrat members made up the other third. In the Joint Committee, each *Land* was “represented by a Bundesrat member of its choice.”⁵⁸ When the Bundestag delegates to the Joint Committee were appointed, the relative sizes of parliamentary groups within the Bundestag were taken into account. Members of the Federal Government could not be the Bundestag deputies to the Joint Committee. The Joint Committee was convened mostly at the request of the Bundesrat.⁵⁹ Yet, for a bill requiring the consent of the Bundesrat, both the Federal Government and the Bundestag were also eligible to demand the convening of the Joint Committee.⁶⁰ The overall working of the Joint Committee was regulated by rules which required both the adoption of the Bundestag and the consent of the Bundesrat.⁶¹

Given the intergovernmental distribution of administrative and legislative powers, the Federation and the *Länder* were also closely entangled in financial relations. Fiscal autonomy of the *Länder* was the basic constitutional principle of the Basic Law,

⁵⁸ The Basic Law of the Federal Republic of Germany, Article 53a

⁵⁹ The Basic Law of the Federal Republic of Germany, Article 77

⁶⁰ Ibid.

⁶¹ The Basic Law of the Federal Republic of Germany, Article 53a.

with Article 109 addressing that “the Federation and the *Länder* shall be autonomous and independent of each other in their fiscal administration.” Still, a close intergovernmental collaboration was necessary for the fiscal administration of federal legislation requiring the consent of the Bundesrat.⁶²

Intergovernmental financial arrangements also allowed the Federation to exercise considerable leverage over the *Länder*. This federal leverage was notably intensified by the 1969 financial reform.⁶³ There were three major sources of federal leverage. First, the Federation had the legislative power of financial equalization (*Finanzausgleich*).⁶⁴ Second, the Federation could grant financial assistance for the *Länder*. Third, the Federation participated in regional affairs through joint tasks (*Gemeinschaftsaufgaben*).⁶⁵ In particular, the creation of joint tasks on May 12, 1969 allowed the Federation to engage in some domains of the *Länder*'s responsibility, such as expansion of higher education, improvement of regional economic structure, and preservation of agrarian and coastal areas.⁶⁶

In summary, the West German federal system was characterized by an intricate sharing of power between the Federation and the *Länder*. Legislative power was more conferred to the Federation, and administrative function was more incumbent to the *Länder*. Intergovernmental financial entanglement increased after the 1969 financial reform. Many scholars highlighted the comprehensive ‘joint-policy making

⁶² The Basic Law of the Federal Republic of Germany, Article 108.

⁶³ Bundesgesetzblatt I : 359.

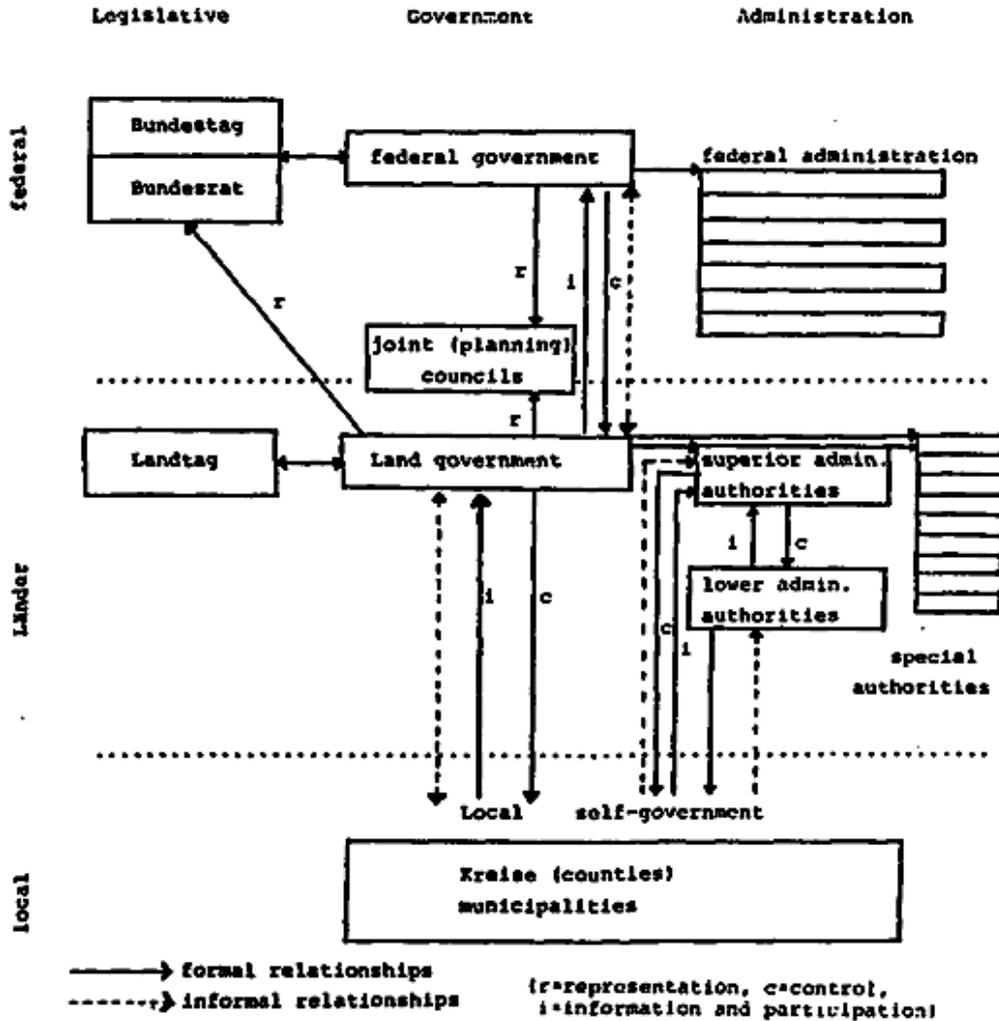
⁶⁴ The Basic Law of the Federal Republic of Germany, Article 107.

⁶⁵ The Basic Law of the Federal Republic of Germany, Article 91a

⁶⁶ Ibid.

(*Politikverflechtung*)' in the federal system of West Germany after the 1969 reform, and labeled the West German federal system as 'cooperative federalism.'⁶⁷

Figure.5 Decision-Making Structure in the West German Intergovernmental System



*Cited from Hesse, Joachim Jens. "The Federal Republic of Germany: From Co-Operative Federalism to Joint Policy-Making." *West European Politics* 10, no. 4 (1987): 72.

⁶⁷ Hesse, Joachim Jens. "The Federal Republic of Germany: From Co-Operative Federalism to Joint Policy-Making." *West European Politics* 10, no. 4 (1987): 70-87.; Rothweiler, Robert L. "Revenue Sharing in the Federal Republic of Germany." *Publius* 2, no. 1 (1972): 4-25.

Given the federal arrangements of West Germany, this thesis will pay special attention to parliamentary deliberation processes of the Bundesrat in 1990, to examine the preference of West German regional governments. The preference of regional governments is defined as official positions held by *Land* delegates at the Bundesrat.

B. Party Politics under the West German Federal System

As Gabriel evaluated, “the integration of party democracy and federalism” was “part of the constitutional philosophy of the founders of the Federal Republic of Germany”.⁶⁸ The Basic Law separately mentions political parties in Article 21, addressing that “the political parties shall participate in the forming of the political will of the people.”⁶⁹

Party politics under the West German federal system revealed significant changes in nature from the 1940s to 1980s. Jeffery distinguished two distinctive phases with different patterns of interactions between the party politics and the federal system – the first phase from 1949 to 1981 and the second phase from 1982 to 1990.⁷⁰

During the first three decades of the West German federal system – from 1949 to 1981, the party majorities of the Bundestag and the Bundesrat were different, and the partisan principle dominated the intergovernmental relations at the Bundesrat.⁷¹ This

⁶⁸ Gabriel, Oscar W. "Federalism and Party Democracy in West Germany." *Publius: The Journal of Federalism* 19, no. 4 (September 21, 1989): 66.

⁶⁹The Basic Law for the Federal Republic of Germany, Article.21

⁷⁰ It is widely agreed in academia that there was a notable shift in the West German party politics between the 1970s and the 1980s. For more details, see Jeffery, Charlie. "Party Politics and Territorial Representation in the Federal Republic of Germany." *West European Politics* 22, no. 2 (April 1, 1999): 130-66.; Klatt, Hartmut, and Arthur B Gunlicks. "Forty Years of German Federalism: Past Trends and New Developments." *Publius: The Journal of Federalism* 19, no. 4 (1989): 185-202.

⁷¹ Jeffery, Charlie. "Party Politics and Territorial Representation in the Federal Republic of Germany.": 130-66.

predominance of partisan principle was often attributed to the particular federal structure of West Germany. Under the West German cooperative federalism, there was a functional division of power between the Federation and the *Länder* – executive power conferred more to the *Länder* and legislative power conferred more to the Federation. This functionally distributed power encouraged electorates to view regional elections as a subordinate part to national party competitions,⁷² and thereby provided political parties with little electoral incentives for ‘vertical differentiation’ of intra-party organizations.⁷³

In turn, the vertically integrated party system resulted in a highly partisan pattern of intergovernmental interactions at the Bundesrat.⁷⁴ This highly politicized intergovernmental relationship was particularly evident in the Bundesrat politics from 1972 to 1982. During this period, the CDU – the biggest opposition party at the given time – managed to reserve majority seats in the Bundesrat. The Christian Democrats strategically deployed the Bundesrat to check and balance major policies of the Federal Government led by the SPD coalition, including tax reforms and higher education reforms.⁷⁵

Entering the 1980s, a notable shift was observed in West German party politics. In contrast to the earlier predominance of partisan principles, intergovernmental relations

⁷² Culver, Lowell W. "Land Elections in West German Politics." *The Western Political Quarterly* 19, no. 2 (1966): 304-36.

⁷³ Hadley, Charles D., Michael Morass, and Rainer Nick. "Federalism and Party Interaction in West Germany, Switzerland, and Austria." *Publius: The Journal of Federalism* 19, no. 4 (September 21, 1989): 81-97.; Thorlakson, Lori. "Patterns of Party Integration, Influence and Autonomy in Seven Federations." *Party Politics* 15, no. 2 (March 1, 2009): 157-77.

⁷⁴ Von Beyme, Klaus. "West Germany: Federalism." *International Political Science Review* 5, no. 4 (October 1, 1984): 381-96.; Lehbruch, Gerhard. "Party and Federation in Germany: A Developmental Dilemma." *Government and Opposition* 13, no. 2 (1978): 151-77.

⁷⁵ Hodge, Carl Cavanagh. "The Supremacy of Politics: Federalism and Parties in Western Europe." *West European Politics* 10, no. 2 (1987): 253-68.

were more driven by territorial interests than by partisan platforms.⁷⁶ Decline of partisan competitions at the Bundesrat was partly attributable to the mere congruence of party majorities of the two chambers. After the federal cabinet change in October 1982, the CDU coalition came to reserve majority seats at both of the Bundestag and the Bundesrat.

A reasoning also widely accepted was the incrementing criticisms against the centralization tendency in the West German federal system. The financial reform of 1969 was often perceived as empowering the Federation relative to the *Länder*, mainly through the creation of federal grants for *Länder* and the codification of joint-tasks.⁷⁷ Yet, there had been growing skepticism within West Germany, insisting that excessive centralization in fiscal policies resulted in inefficiencies.⁷⁸ These criticisms won momentum in the 1980s, against the backdrop of deteriorating economic conditions since the mid-1970 recession and growing economic disparities across *Länder*.⁷⁹ In particular, a cleavage was evident between the richer *Länder* in the North and the poorer *Länder* in the South, as shown in numerous inter-Land conflicts over fiscal equalization in the late 1980s.⁸⁰

Another rationale for the surging territorial representation in intergovernmental relations was the increased volatility in voting behaviors of West German electorates. The

⁷⁶ Jeffery, Charlie. "Party Politics and Territorial Representation in the Federal Republic of Germany.": 130-66.

⁷⁷ Biehl, Dieter. "Optimal Decentralization—a Conceptual Approach to the Reform of German Federalism." *Environment and Planning C: Government and Policy* 7, no. 4 (1989): 375-83.; Klemmer, P. "Regional Economic Policy within the Framework of Cooperative Federalism." *Environment and Planning C: Government and Policy* 7, no. 4 (1989): 403-09.

⁷⁸ Scharpf, Fritz W. "The Joint-Decision Trap: Lessons from German Federalism and European Integration." *Public Administration* 66, no. 3 (1988): 239-78.

⁷⁹ Benz, Arthur. "Intergovernmental Relations in the 1980s." *Publius: The Journal of Federalism* 19, no. 4 (1989): 203-20.

⁸⁰ Bundestag. "Bundestag Stenographic Report on Plenary Session 28 (Plenarprotokoll 11/28)." Bonn, September 18, 1987.; Bundestag. "Bundestag Stenographic Report on Plenary Session 47 (Plenarprotokoll 11/47)." Bonn, December 4, 1987.

rise of an unconventional party – the Greens – was regarded as a representation of changing partisan alignment of West German voters.⁸¹ As a result of the federal election in March 1983, the Greens successfully entered the Bundestag by winning 5.6 % of the second vote.⁸² In total, the Greens reserved 28 seats.⁸³ The Greens performed even better in the next federal election of January 1987, with 8.3 % of the second vote.⁸⁴ A total of 44 seats were assigned to the Greens.⁸⁵ The electoral success of the Greens was often attributed to the emergence of young voters with post-industrial values, who were seeking for the ‘new left.’⁸⁶ This shift in the voting trend eventually led to the derogation of the traditional party system, which had been largely characterized by centralized party competitions at sub-federal elections.

In brief, up until the early 1980s, political parties in the West German federal system had been generally conceived as vertically integrated, which had affirmed the hypothesis of a functional federal system. Yet, stable party cohesion has been challenged since the 1980s and this disintegration has accelerated since German unification in 1990.⁸⁷

⁸¹ Jeffery, Charlie. "Party Politics and Territorial Representation in the Federal Republic of Germany.": 130-66.

⁸² Federal Returning Officer, Germany. "Bundestag Election of 6 March 1983." http://www.bundeswahlleiter.de/en/bundestagswahlen/fruehere_bundestagswahlen/btw1983.html (accessed June 6, 2013)

⁸³ Ibid.

⁸⁴ Federal Returning Officer, Germany. "Bundestag Election of 25 January 1987." http://www.bundeswahlleiter.de/en/bundestagswahlen/fruehere_bundestagswahlen/btw1987.html (accessed June 6, 2013)

⁸⁵ Ibid.

⁸⁶ Chandler, William M., and Alan Siaroff. "Postindustrial Politics in Germany and the Origins of the Greens." *Comparative Politics* 18, no. 3 (1986): 303-25.; Bürklin, Wilhelm P. "The German Greens the Post-Industrial Non-Established and the Party System." *International Political Science Review* 6, no. 4 (1985): 463-81.

⁸⁷ Throughout the 1990s, the party majorities of the Bundestag and the Bundesrat were once again in conflict,

This thesis assigns the shifting trend from partisan principles to territorial principles in intergovernmental relations a heavier significance in context of West German party politics of 1990. From the perspective of prospect theory, the rise of territorial representation since 1980s implied a growing heterogeneity in an individual region's preferences about the given status quo of federal arrangements.

Yet, this thesis will also show that during the process of unification, a new pattern of territorial representation – representation of the West against the East – emerged in West German party politics. Previously diversified regional preferences were integrated based on the common reference point at the pre-unification economic status quo. Eventually, the old territorial division of North and South was replaced by a new division of East and West. More details of this new pattern of territorial representation will be provided in chapters four and five of this thesis.

C. German Unification under the West German Federal System

Two state-treaties between the German Democratic Republic (*Deutsche Demokratische Republik*; hereby GDR or East Germany) and the Federal Republic of Germany (*Bundesrepublik Deutschland*; hereby FRG or West Germany) played a decisive role in the

but the Bundesrat politics was hardly led by the partisan principle but mainly by the territorial principle. This emerging prominence of territorial representation has been reconfirmed by numerous studies examining the debates over federalism reform in post-unification Germany. For more details, see Benz, Arthur. "From Unitary to Asymmetric Federalism in Germany: Taking Stock after 50 Years." *Publius: The Journal of Federalism* 29, no. 4 (September 21, 1999): 55-78.; Gualini, Enrico. "Regionalization as 'Experimental Regionalism': The Rescaling of Territorial Policy-Making in Germany." *International Journal of Urban and Regional Research* 28, no. 2 (2004): 329-53.; Ziblatt, Daniel F. "Recasting German Federalism? The Politics of Fiscal Decentralization in Post-Unification Germany." [In English]. *Politische Vierteljahresschrift* 43, no. 4 (December 1, 2002): 624-52.

process of German unification.⁸⁸ The first state-treaty was to create a German Monetary, Economic and Social Union (*Währungs-Wirtschafts- und Soziale Union*; GEMSU). The second state-treaty was for East Germany's accession to West Germany, which is widely known as the Unification Treaty (*Einigungsvertrag*). The legislative processes of both state-treaties confirmed the decline of partisan principles in the West German intergovernmental relations.

1. Legislative Process of the First State Treaty (The GEMSU Treaty)

From January to June 1990, the two Germanys were heading towards the creation of the GEMSU.⁸⁹ Preparation for monetary integration started early in February. Following Federal Chancellor Kohl's announcement on February 6, 1990 to create a monetary union, the Federal Government made an official decision on February 7, 1990 to offer a monetary union to East Germany.⁹⁰ The German Central Bank (*Deutsche Bundesbank*), which initially held a skeptical view on monetary integration, promised its supports on February 9, 1990.⁹¹ A Joint Commission was established between the two Germanys on

⁸⁸ Bastuck, Burkhard. "Unity, Law, and Freedom: Legal Aspects of the Process and Results of German Unification." *International Law* 25, no. 1 (1991): 251-66.

⁸⁹ In this given period of time, changes in East Germany and in international politics appeared conducive to the establishment of the GEMSU. East Germany held its first free democratic election for the People's Chamber (*Volkskammer*) on March 18, 1990. The electoral victory of the Christian Democrats demonstrated East Germans' strong longing for German unification at a fast pace. In the meantime, the West German Federal Government successfully attained Western allies' support for German unification, by assuring of Germany's willingness to maintain Western ties after unification. All these changes were favorable to the creation of the GEMSU. For more details, see Reimann, Mathias. "Takeover: German Reunification under a Magnifying Glass." *Michigan Law Review* 96, no. 6 (1998): 1988-99.; Singer, Otto. "The Politics and Economics of German Unification: From Currency Union to Economic Dichotomy." *German Politics* 1, no. 1 (April 1, 1992): 78-94.

⁹⁰ Karl, Martin, and Georg Heipertz. "How Strong Was the Bundesbank?: A Case Study in the Policy-Making of German and European Monetary Union." *CEPS Working Document* no. 172 (September 2001).

⁹¹ *Ibid.*

February 13, 1990 in preparation for the GEMSU.⁹² Eventually, a state-treaty was concluded between the governments of two Germanys on May 18, 1990.

On the day the first state-treaty was concluded, May 18, 1990, the West German Federal Government directly submitted a bill for the treaty on GEMSU to the Bundesrat. In the 613 plenary sitting on May 22, 1990, the Bundesrat deliberated on the bill but failed to decide on its official position.⁹³ In the next plenary sitting on June 1, 1990, the Bundesrat settled on its official position and proposed an adjusted draft of the bill in its public statement.⁹⁴ The Federal Government transmitted the Bundesrat's statement along with its counter-statement to the Bundestag on June, 7, 1990.⁹⁵ On the same day, the Federal Government introduced the modified draft of the bill – that reflected the Bundesrat's requests – to the Bundestag.⁹⁶

The bill of GEMSU Treaty was deliberated by the Bundestag throughout two plenary sessions in two consecutive days – the 216 sitting on June 20, 1990, and the 217 sitting on June 21, 1990. In the 217 sitting, the Bundestag adopted the bill of GEMSU Treaty with 445 deputies voting for and 60 deputies voting against the bill out of 506 votes cast in total.⁹⁷ Deputies of the government coalition (CDU/CSU-FDP) all voted for

⁹² Ibid.

⁹³ Bundesrat. "Bundesrat Stenographic Reports on Plenary Session 613 (Plenarprotokoll 613)." Bonn, May 22, 1990.

⁹⁴ Bundesrat. "Bundesrat Stenographic Reports on Plenary Session 614 (Plenarprotokoll 614)." Bonn, June 1, 1990.; Bundesrat. "Statement by the Bundesrat for the Bill of the GEMSU Treaty (Stellungnahme des Bundesrates)." *Bundesrat Official Document (Bundesrat Drucksache)*, no. 350/90 (June 1, 1990).

⁹⁵ Bundestag. "Statement by the Bundesrat and Counter-Statement by the Federal Government (Stellungnahme des Bundesrates und Gegenäußerung der Bundesregierung)." *Bundestag Official Documents (Bundestag Drucksache)*, no. 11/7351 (June 7, 1990).

⁹⁶ Bundestag. "Bill Proposal by the Federal Government (Gesetzentwurf der Bundesregierung)." *Bundestag Official Documents (Bundestag Drucksache)*, no. 11/7350 (June 7, 1990).

⁹⁷ Bundestag. "Bundestag Stenographic Report on Plenary Session 217 (Plenarprotokoll 217)." Bonn, June 21, 1990.

the bill. Surprisingly, a vast majority of the Social Democrats also voted for the GEMSU Treaty. In the case of SPD, 164 deputies voted for the GEMSU, and only 25 voted against the treaty. In contrast, most of the Greens voted against the GEMSU Treaty – 34 votes of the Greens were cast against the GEMSU Treaty out of 37 in total.

Table.2 Bundestag Voting on the GEMSU Treaty

Total Votes Cast: 506

	CDU/CSU	SPD	FDP	The Greens	No Party Membership	Total
Yes	231	164	47	2	1	445
No	0	25	0	34	1	60
Abstention	0	0	0	1	0	1

*Data excerpted from Bundestag. "Bundestag Stenographic Report on Plenary Session 217 (Plenarprotokoll 217)." Bonn, June 21, 1990.

Only a day after the adoption of the Bundestag, the Bundesrat's consent to the GEMSU Treaty was determined on the 615 plenary session of June 22, 1990. Only two *Länder* – Saarland and Niedersachsen – were opposed to consent to the GEMSU Treaty.⁹⁸ At the given time, Saarland and Niedersachsen were led respectively by the SPD-alone-government (Oskar Lafontaine as a minister-president) and the SPD/Greens-coalition-government (Gerhard Schröder as a minister-president). Except for these two *Länder*, the other nine *Länder* all supported the treaty, regardless of whether one's regional government shared the same party membership with the Federal Government or not.⁹⁹ For instance, Berlin, Bremen, Nordrhein-Westfalen and Schleswig-Holstein were all

⁹⁸ Bundesrat. "Bundesrat Stenographic Report on Plenary Session 615 (Plenarprotokoll 615)." Bonn, June 22, 1990.

⁹⁹ Bundesrat. "Bundesrat Stenographic Report on Plenary Session 615 (Plenarprotokoll 615)."; Bundestag, "Comparison of Majorities in the Bundestag and the Bundesrat (*Vergleich der Mehrheitsverhältnisse in Bundestag und Bundesrat*).“ http://www.bundestag.de/dokumente/datenhandbuch/10/10_03/10_03_03.html (accessed June 7, 2013)

SPD-led *Länder*, but voted ‘yes’ for the GEMSU. In general, party affiliation played a remarkably limited role in *Länder*’s voting on the GEMSU Treaty.

Table.3 Bundesrat Voting on the GEMSU Treaty

<i>Land</i>	The Party Membership of <i>Land</i> Government was _____ with the Federal Government	Voting on the GEMSU Treaty
Baden-Württemberg	Identical	Yes
Bayern	Identical	Yes
Berlin	Not Identical	Yes
Bremen	Not Identical	Yes
Hamburg	Partly Identical	Yes
Hessen	Identical	Yes
Niedersachsen	Not Identical	No
Nordrhein-Westfalen	Not Identical	Yes
Rheinland-Pfalz	Identical	Yes
Saarland	Not Identical	No
Schleswig-Holstein	Not Identical	Yes

*Voting results excerpted from Bundesrat. "Bundesrat Stenographic Report on Plenary Session 615 (Plenarprotokoll 615)." Bonn, June 22, 1990.

*Party membership excerpted from Bundestag, "Comparison of Majorities in the Bundestag and the Bundesrat (*Vergleich der Mehrheitsverhältnisse in Bundestag und Bundesrat*)."
http://www.bundestag.de/dokumente/datenhandbuch/10/10_03/10_03_03.html (accessed June 7, 2013)

2. Legislative Process of the Second State Treaty (The Unification Treaty)

After the creation of GEMSU in July 1990, the two Germanys prepared for political integration on the basis of formerly achieved economic and monetary integration.¹⁰⁰ On

¹⁰⁰ In the given time, East Germany was suffering from the aftermath of an abrupt adoption of Deutsche Mark. The rising unemployment rate in East Germany became a central concern for two Germanys, in the face of imminent political integration. At the international level, a significant development was made in terms of security issues, which provided greater opportunities for political unity of two Germanys. Concerning the security policy of soon-to-be unified Germany, both the Soviet Union and three Western powers of the North

August 23, 1990, the People's Chamber (*Volkskammer*) of East Germany agreed upon the accession of the GDR to the FRG through the second state-treaty.¹⁰¹ On October 14, 1990, the federal states (*Länder*) of East Germany were re-established by regional parliamentary (*Landtag*) elections, as a preparatory measure for the accession of Eastern *Länder* to West Germany.¹⁰² The second state-treaty (Unification Treaty) was eventually concluded on August 31, 1990.

On the day of treaty conclusion – August 31, 1990, a bill on the Unification Treaty was submitted to the Bundesrat by the Federal Government.¹⁰³ After deliberating over the bill at the 618 plenary sitting on September 7, 1990, the Bundesrat suggested a revised draft in its official statement.¹⁰⁴ The Federal Government delivered the Bundesrat's statement with an attachment of its own counter-statement to the Bundestag, on September 12, 1990.¹⁰⁵ On the same day, the Federal Government also submitted a renewed draft of the Unification Treaty bill to the Bundestag, which took the Bundesrat's

Atlantic Treaty Organization (NATO) reached an agreeing point, which was evident in the Two plus Four Treaty signed on September 12, 1990 in Moscow. The Soviet Union agreed to withdraw its troop from the GDR under the financial assistance of West Germany, and Germany's NATO membership was secured. For more details, see Bonin, H., and K.F. Zimmermann. "The Post-Unification German Labor Market." *IZA Discussion Paper Series*, (2000); Wettig, G. "Moscow's Acceptance of NATO: The Catalytic Role of German Unification." *Europe-Asia Studies* 45, no. 6 (1993): 953-72.

¹⁰¹ Hancock, M. Donald, and Helga A. Welsh. *German Unification : Process and Outcomes*. Boulder: Westview Press, 1994.

¹⁰² *Ibid.*

¹⁰³ Bundesrat. "Bill Proposal by the Federal Government (Gesetzentwurf der Bundesregierung)." *Bundesrat Official Documents (Bundesrat Drucksache)*, no. 600/90 (August 31, 1990).

¹⁰⁴ Bundesrat. "Statement by the Bundesrat for the Unification Treaty Law (Stellungnahme des Bundesrates zum Einigungsvertragsgesetz)." *Bundesrat Official Document (Bundesrat Drucksache)*, no. 600/90 (September 7 1990).

¹⁰⁵ Bundestag. "Bill Proposal by the Federal Government – Attachment: Statement by the Bundesrat and Counter-Statement of the Federal Government (Gesetzentwurf der Bundesregierung – Anlage: Stellungnahme des Bundesrates und Gegenäußerung der Bundesregierung)." *Bundestag Official Documents (Bundestag Drucksache)*, no. 11/7841 (September 12, 1990).

comment into account.¹⁰⁶

The Bundestag deliberated over the bill of Unification Treaty in two plenary meetings – the 223 sitting of September 12, 1990 and the 226 sitting of September 20, 1990. The bill of Unification Treaty was adopted by the Bundestag in the 226 sitting, with 440 deputies voting for and 47 deputies voting against the bill, out of 490 votes cast in total.¹⁰⁷ One note of significance is that deputies of the SPD, not only deputies of the government coalition, backed the adoption of the Unification Treaty bill. Virtually no opposing vote was cast by the Social Democrats. A great majority of the opposing votes – 33 out of 47 – came from the Greens.¹⁰⁸ 13 deputies of the CDU/CSU and one deputy without party affiliation cast the rest of the opposing votes.¹⁰⁹

Table.4 Bundestag Voting on the Unification Treaty

Total Votes Cast: 490

	CDU/CSU	SPD	FDP	The Greens	No Party Membership	Total
Yes	207	183	46	3	1	440
No	13	0	0	33	1	47
Abstention	1	1	0	1	0	3

*Data excerpted from Bundestag. "Bundestag Stenographic Report on Plenary Session 226 (Plenarprotokoll 226)." Bonn, September 20, 1990.

The adoption of the Bundestag was swiftly followed by the Bundesrat's consent to the Unification Treaty. The Bundesrat decided unanimously to consent to the treaty in

¹⁰⁶ Ibid.

¹⁰⁷ Bundestag. "Bundestag Stenographic Report on Plenary Session 226 (Plenarprotokoll 226)." Bonn, September 20, 1990.

¹⁰⁸ Ibid.

¹⁰⁹ Ibid.

the 619 sitting on September 21, 1990, only a day after the Bundestag's adoption.¹¹⁰

Table.5 Bundesrat Voting on the Unification Treaty

<i>Land</i>	The Party Membership of <i>Land</i> Government was _____with the Federal Government	Voting on the GEMSU Treaty
Baden-Württemberg	Identical	Yes
Bayern	Identical	Yes
Berlin	Not Identical	Yes
Bremen	Not Identical	Yes
Hamburg	Partly Identical	Yes
Hessen	Identical	Yes
Niedersachsen	Not Identical	Yes
Nordrhein-Westfalen	Not Identical	Yes
Rheinland-Pfalz	Identical	Yes
Saarland	Not Identical	Yes
Schleswig-Holstein	Not Identical	Yes

*Voting results excerpted from Bundesrat. "Bundesrat Stenographic Report on Plenary Session 619 (Plenarprotokoll 619)." Bonn, September 21, 1990.

*Party membership excerpted from Bundestag, "Comparison of Majorities in the Bundestag and the Bundesrat (*Vergleich der Mehrheitsverhältnisse in Bundestag und Bundesrat*)."
http://www.bundestag.de/dokumente/datenhandbuch/10/10_03/10_03_03.html (accessed June 7, 2013)

The unanimous approval of the Bundesrat was remarkable, against the backdrop that the government coalition (CDU/CSU-FDP) was no longer a majority in the Bundesrat after the regime change of Niedersachsen in June 1990. By September 1990, 24 votes of the Bundesrat were assigned to the *Länder* led by the opposition parties, out

¹¹⁰ Bundesrat. "Bundesrat Stenographic Report on Plenary Session 619 (Plenarprotokoll 619)." Bonn, September 21, 1990.

of 45 votes in total.¹¹¹ The Bundesrat's unanimous consent to the Unification Treaty provides another good evidence for the widespread territorial representation in intergovernmental relations of West Germany, during the process of unification.

In summary, the party affiliation of West German regional governments played a limited role in the major policy decisions of the unification process. Both of the two state-treaties on German unification – the first state-treaty on German Monetary, Economic and Social Union and the second state-treaty on political unification, were promptly approved by the Bundesrat, despite the fact that the opposition parties preserved majority seats at the Bundesrat.

¹¹¹ 18 votes were held by the *Länder* led by the CDU/CSU-FDP government and three votes by the neutral *Länder*. For more details, see Bundesrat (*Vergleich der Mehrheitsverhältnisse in Bundestag und Bundesrat*).“ http://www.bundestag.de/dokumente/datenhandbuch/10/10_03/10_03_03.html (accessed June 7, 2013)

IV. Before German Economic, Monetary, and Social Union: January - June 1990

A. West German Public Reference Point at the Pre-Unification State of Wealth

The predominant territorial representation in West German party politics since 1980s suggests that West German regional governments were more likely to base their preferences on the opinions of their local constituencies than on central party platforms during the process of German unification.

On the path to unification, West Germans formed their reference point at the pre-unification economic status quo by the endowment effect and the status quo bias. According to the prospect theory of Kahneman and Tversky, people experience bigger value change by losses than by the equivalent amount of gains. Due to these disparate effects on value, people overestimate what they already have than what they covet, and take more risks to avoid losses than to achieve gains (Endowment Effect). As a result, people tend to form their reference point at the given status quo (Status Quo Bias).

Following the notions of endowment effect and status quo bias, the West German general public was inclined to form a reference point at the pre-unification state of wealth, mainly for two reasons. First, East Germany was economically underdeveloped than West Germany by a large gap at the time of unification. Second, West Germans were largely satisfied with the economic status quo before German unification,

which exemplified their propensity for the status quo bias.¹¹²

The considerable economic gap between the two Germanys at the time of unification clearly put West Germans in a position to financially support the bulk cost of unification. In many aspects, the East German economy was underdeveloped than that of its Western counterpart in 1990. First, there existed a substantial gap in economic size between the two Germanys at the time of unification. As Neumann presents, East Germany's per capita financial wealth was less than one-third of West Germany's in 1989.¹¹³ Similarly, East German per capita consumption was less than 50% of the West German level.¹¹⁴ There were also big differences in productivity at the time, with East German GDP per man hour reaching only about 45% of the West German level.¹¹⁵ The relative productivity of energy consumption of the East was less than 50% of the West.¹¹⁶

East Germany was also premature in terms of industrial structures and trade-openness. East Germany's overall industrial structure was biased towards agriculture and manufacturing and its rate of total employment in the trade sector was slightly more than one-half that of West Germany.¹¹⁷ When it comes to trade-openness, most of the East German exports headed to the countries belonging to the Council for Mutual Economic Assistance (CMEA) in 1989.¹¹⁸ Since East Germany had followed a strategy of import substitution with the Western market economies, its exports to non-CMEA economies

¹¹² It is widely considered that people who are satisfied with the given status quo tend to form their reference point at the current state of asset. For more details on the status quo as a reference point, see Mercer, J. "Prospect Theory and Political Science.": 1-21.

¹¹³ Neumann, "German Unification: Economic Problems and Consequences.":163-210.

¹¹⁴ Ibid.

¹¹⁵ Ibid.

¹¹⁶ Ibid.

¹¹⁷ Siebert et al, "German Unification: The Economics of Transition.":287-340.

¹¹⁸ Ibid.

were biased towards semi-manufactured goods.¹¹⁹ In general, the share of exports was estimated as 25% of East Germany's GNP, which was considerably low for a small open economy.¹²⁰

Table.6 West German Public's Satisfaction with the Economic Status Quo (%)

Current Economic Situation of the FRG (N=1452)		One's own Economic Situation (N=1457)		Economic Outlook of the FRG in a Year (N=1425)	
Very Good	20.94	Very Good	6.04	Substantially Better-off	3.16
Good	54.61	Good	61.22	Somewhat Better-off	18.95
Partly Good/Bad	21.69	Partly Good/Bad	25.88	Consistent	52
Bad	2.41	Bad	5.63	Somewhat Worse-off	23.65
Very Bad	0.34	Very Bad	1.24	Substantially Worse-off	2.25

*Excerpted from *The German General Social Survey (Allgemeine Bevölkerungsumfrage der Sozialwissenschaften; ALLBUS)* 1990 codebook no.1800 available from Leibniz Institute for the Social Sciences, Mannheim, Germany. *ALLBUS* surveys are based on face-to-face interviews with a representative cross-section of the population of Germany. The sample for *ALLBUS1990* survey consisted of 3,000 West German and West Berlin respondents. The survey period was from March to May 1990.

In addition to the substantive economic inequality between the two Germans, the West Germans were also generally satisfied with the economic status quo before unification. According to the German General Social Survey that was conducted from March to May 1990, a vast majority (75.55%) of respondents positively assessed the current economic situation in the Federal Republic.¹²¹ West German respondents also revealed a high satisfaction with one's own economic situation (67.26%).¹²² Concerning the economic outlook of West Germany in a year, more than half of the respondents (52%) expected that the given status quo would persist, and the percentage of negative outlook

¹¹⁹ Ibid.

¹²⁰ Ibid.

¹²¹ Leibniz Institute for Social Science. *The German General Social Survey 1990 (Allgemeine Bevölkerungsumfrage der Sozialwissenschaften; ALLBUS)*, no.ZA3714 (1990).

¹²² Ibid.

(25.9%) slightly outnumbered that of positive outlook (22.1%).¹²³

Given the huge economic gap between the two Germanys and West German satisfaction with the pre-unification economic status quo, the West German general public evaluated the prospect of German unification based on their pre-unification state of wealth. The German federal state election (*Landtag* election) study by Leibniz Institute for Social Sciences delineates the West German reference point in 1990. According to a public opinion poll conducted at the time of the Niedersachsen parliament (*Landtag*) election of May 1990, nearly 40% of Niedersachsen respondents predicted that German unification would bring detrimental impacts on the people of Niedersachsen.¹²⁴ Respondents who expressed positive outlook totaled only around 20%.¹²⁵

Table.7 Expected Impact of German Unification on Niedersachsen People

	Frequency	Effective %
Rather Beneficial	232	22.9
Rather Detrimental	395	39.0
In the Middle	385	38.0
Total	1012	100.0

*Excerpted from *The German federal state election study ZA1934* available from Leibniz Institute for the Social Sciences, Mannheim, Germany. The survey was based on telephone interviews with a representative cross-section of the population of Niedersachsen. The sample for the survey consisted of 1,024 respondents. The survey was conducted in May 1990.

For those who reported negative expectations, their three most popular concerns were negative impacts on employment (46.5%), the housing market (40.1%), and tax increase (30.6%).¹²⁶ This expression of negative expectation for German unification

¹²³ Ibid.

¹²⁴ Leibniz Institute for Social Sciences. *German Election Study 1990*, no.ZA1934 (1990).

¹²⁵ Ibid.

¹²⁶ Ibid.

suggests that the West Germans viewed themselves in the domain of loss for many issues, based on their reference point at the pre-unification status quo.

Table.8 Most Concerned Negative Impacts of German Unification on Niedersachsen People (Multi-coding)

	Frequency	Effective %
Job Market	334	46.5
Housing Market	288	40.1
Social Network	64	8.9
Tax Increase	220	30.6
National Debt Increase	44	6.1
Economic Burden	147	20.5
Neutrality	1	0.1
Difficulty with the West	12	1.7
Others	124	17.3
Total	718	-

*Excerpted from *The German federal state election study ZA 1934*.

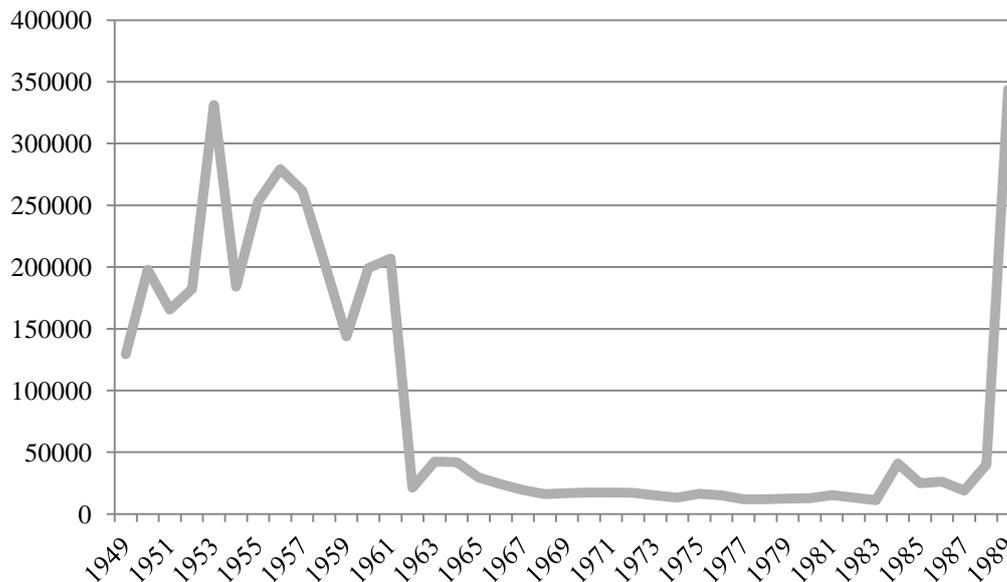
Throughout the process of unification, West German regional governments formed their own reference point pursuant to the reference point of the general public, which was at the pre-unification state of wealth. The following two sections will confirm the regional governments' reference point at the pre-unification economic status quo, by specifically examining their perception of the two major economic losses expected from unification – increased immigration and increase burden of public finance. In general, different patterns of loss-avoidance were observed for these two losses. This divergence in loss-avoidance was fundamentally induced by a difference in perceived certainties associated with each loss (Certainty Effect). The loss by increased immigration was conceived as certain, but the loss by increased burden of public finance was viewed as largely uncertain, during the first half of 1990.

B. Immigration from East Germany

1. Increase in Immigration from East Germany

Because of the sudden increase in the number of immigrants from East Germany by the end of 1989, West Germans perceived the loss by increased immigration as a sure loss by early 1990.

Figure.6 East German Immigration to West Germany 1949-1989



*Excerpted from Judt, M. *DDR-Geschichte in Dokumenten: Beschlüsse, Berichte, Interne Materialien und Alltagszeugnisse*. Links Christoph Verlag, 1997.

In the year 1989 alone, more than 300,000 East Germans crossed the inter-German border.¹²⁷ This figure was remarkably high, considering that the number of East

¹²⁷ Judt, M. *DDR-Geschichte in Dokumenten: Beschlüsse, Berichte, Interne Materialien Und Alltagszeugnisse*. Links Christoph Verlag, 1997.

German immigrants was only about 40,000 in 1988.¹²⁸ For nearly three decades from the 1960s, the number of East Germans entering West Germany had been persistently lower than 50,000.¹²⁹ This stabilized migration flow had grown volatile since August 1989. The opening of the Hungarian border to Austria in September 1989 stimulated even greater East German immigration influx to West Germany. On November 3, 1989, the government of German Democratic Republic endorsed the leave of its citizens through the border to Czechoslovakia, which further accelerated the migration from East Germany to West Germany. Eventually, the Berlin Wall fell down on November 9, 1989.

2. Law for the Entrance of Germans to the Federal Border

The rapid increase of East German immigrants was costly for West German regional governments, particularly due to the Law for the Entrance of Germans to the Federal Border (*Gesetz über die Aufnahme von Deutschen in das Bundesgebiet* or *Aufnahmegesetz*; hereafter the Entrance Law). The Entrance Law had a long history. It was first enacted on August 22, 1950, and was initially entitled the Law for Emergency Entrance of Germans to the Federal Border (*Gesetz über die Notaufnahme von Deutschen in das Bundesgebiet*). Eligible applicants for the Entrance Law were those with German nationality or with German ethnic origin, who had lived or permanently resided in the Soviet occupation zone or in the Soviet sector of Berlin.¹³⁰ With their entry into the Federal Republic of Germany, these eligible applicants were automatically given special permission for

¹²⁸ Ibid.

¹²⁹ Ibid.

¹³⁰ Bundesgesetzblatt I :367.

permanent residence in the federal republic.¹³¹

The Entrance Law also stipulated the federal financial arrangements for hosting emergency entrants. Article 5 of the Entrance Law stated that the Federal Government should designate the *Land*, where an emergency entrant had taken one's first residence, as the hosting *Land*. The economic conditions of the hosting *Land* should be taken into account for this designation.¹³² The Federal Government was also responsible for equally charging *Länder* for the hosting of refugees and exiles, when it allocated emergency entrants among *Länder*.¹³³ The cost burdened by the hosting *Land* was regulated by Article 120 of the Basic Law.¹³⁴

On June 11, 1951, the Bundesrat approved implementing the regulations for the Entrance Law. The regulation covered the issue of temporary housing and subsidiary housing for emergency entrance, where an individual entrant could stay up to the age of 24.¹³⁵ The regulation also determined that the process of entrance was basically governed by the manager of the entrance process, the entrance committee, and the complaints committee.¹³⁶

The Entrance Law and its subordinate regulations were amended on February 18, 1986, when the Law was renamed the "Law for the Entrance of Germans to the Federal Border (*Gesetz über die Aufnahme von Deutschen in das Bundesgebiet*)," by getting rid of

¹³¹ Ibid.

¹³² Ibid:368.

¹³³ Ibid.

¹³⁴ Ibid.

¹³⁵ Bundesgesetzblatt I : 381

¹³⁶ Ibid.

the initial prefix ‘Emergency (*Not*).’¹³⁷

3. Short-Run Loss-Avoidance of West German Regional Governments

Against the backdrop of the soaring number of East German immigrants under the Entrance Law, in West Germany both the general public and the regional governments attempted to avoid the short-run loss by increased immigrants.

Table.9 Public Attitude to the GDR Immigrants (%)

Restriction on Admission into the FRG (N=2971)		Beneficial vs Detrimental (N=2935)		Conflict of Interests between the FRG Citizens and the GDR Immigrants (N=1406)	
Unrestricted Admission	28.11	Absolutely Beneficial	3.17	No Conflict at All	7.04
Limited Admission	52.91	More Beneficial	18.16	Weak Conflicts	35.7
Admission Fully Prevented	18.98	Neither Beneficial nor Detrimental	34.68	Quite Strong Conflicts	41.25
		More Detrimental	35.74	Very Strong Conflicts	16
		Absolutely Detrimental	8.25		

*Excerpted from *The German General Social Survey (Allgemeine Bevölkerungsumfrage der Sozialwissenschaften; ALLBUS)* 1990 codebook no.1800.

In the first half of 1990, the West German general public showed considerable concern for the increasing surge of immigration from East Germany. The *ALLBUS* data demonstrates well the negative attitudes the general public held towards the GDR immigrants. West German respondents largely viewed this immigration trend from East Germany more detrimental than beneficial, and reported that there were significant conflicts between the interests of East German immigrants and the interests of West

¹³⁷ Bundesgesetzblatt I : 265

German citizens.¹³⁸ A vast majority of West German respondents (71.89%) advocated the need for restriction on the admission of East German immigrants.¹³⁹

Acting on these public concerns, West German regional governments tried to maintain the pre-unification status quo by reducing institutional benefits available to the immigrants from East Germany. Several remarkable efforts were made by the regional governments from February to March 1990. On February 28, 1990, the regional government of Bayern submitted a proposal to the Bundesrat, which requested a parliamentary deliberation of right adjustments of German ethnic immigrants (*übersiedler*) at the upcoming Bundesrat plenary session in March.

On March 7, 1990, regional governments of five West German *Länder* – Berlin, Bremen, Nordrhein-Westfalen, Saarland and Schleswig-Holstein – handed in three proposals to the Bundesrat, calling for a law for the suspension of the Entrance Law.¹⁴⁰ They insisted that the initial aim of the emergency admission – to promote democratic transition of East Germany – had already been achieved, and thus the regulation was no longer justified.¹⁴¹ These *Länder* further recommended that the Federal Government spend the extra money saved from the suspension of emergency entry in supporting social welfare costs of regional communities.¹⁴²

¹³⁸ Leibniz Institute for Social Science. *The German General Social Survey 1990 (Allgemeine Bevölkerungsumfrage der Sozialwissenschaften; ALLBUS)*, no. ZA3714 (1990).

¹³⁹ *Ibid.*

¹⁴⁰ Bundesrat. "Bill Proposal by Länder Berlin, Bremen, Nordrhein-Westfalen, Saarland and Schleswig-Holstein (Gesetzantrag der Länder Berlin, Bremen, Nordrhein-Westfalen, Saarland und Schleswig-Holstein)." *Bundesrat Official documents (Bundesrat Drucksache)*, no. 183/90 (March 7, 1990).

¹⁴¹ Bundesrat. "Bill Proposal by Länder Berlin, Bremen, Nordrhein-Westfalen, Saarland and Schleswig-Holstein (Gesetzantrag der Länder Berlin, Bremen, Nordrhein-Westfalen, Saarland Und Schleswig-Holstein)." *Bundesrat Official documents (Bundesrat Drucksache)*, no. 184/90 (March 7, 1990).

¹⁴² *Ibid.*

What should be noted is that there was little North-South distinction, and the West German *Länder* formed a common front to deal with the short-run loss by East German immigration. This common action confirmed that the previous territorial division of North and South within West Germany had been, to a considerable extent, replaced by the new territorial division of West and East, during the unification process.¹⁴³

Table.10 Chronology of West German Regional Governments' Loss-Avoidance for East German Immigration

<p>February 28, 1990</p> <ul style="list-style-type: none"> - A proposal (Bundesrat Drucksache 161/90) was made by the Bayern regional government to the Bundesrat, asking for the inclusion of the “decision of right adjustment for refugees and ethnic immigrants” as one of the daily agenda at the Bundesrat sitting in March 1990. <p>March 07, 1990</p> <ul style="list-style-type: none"> - Three bill proposals (Bundesrat Drucksache 183/90, 184/90,185/90) were made by regional governments of Berlin, Bremen, Nordrhein-Westfalen, Saarland and Schleswig-Holstein to the Bundesrat, requesting new conception of refugee and ethnic immigrants politics, and the enactment of law for the abolition of the Entrance Law <p>March 16, 1990</p> <ul style="list-style-type: none"> - The 610 sitting of the Bundesrat deliberated on the proposal by Bayern and the other three proposals by Berlin, Bremen, Nordrhein-Westfalen, Saarland and Schleswig-Holstein as the 21st and 59th daily agenda. <p>March 26, 1990</p> <ul style="list-style-type: none"> - The Bundesrat advisory committees published recommendations for the law about the abolition of Entrance Law (Bundesrat Drucksache 184/1/90) <p>April 06, 1990</p> <ul style="list-style-type: none"> - The enactment of law for the abolition of Entrance Law was deliberated at the 611 sitting of the Bundesrat, and the Bundesrat decided not to deliver the bill to the Bundestag.
--

¹⁴³ Making common voices regardless of both the party affiliation of Land-government and the economic division of North and South was easily observable throughout the process of German unification. For real cases of common actions, see Bundesrat. "Proposal by Länder Berlin, Bremen, Nordrhein-Westfalen, Saarland and Schleswig-Holstein (Antrag der Länder Berlin, Bremen, Nordrhein-Westfalen, Saarland and Schleswig-Holstein)." *Bundesrat Official documents (Bundesrat Drucksache)*, no. 723/89 (December 14, 1989).; Bundesrat. "Proposal by Länder Baden-Württemberg, Bayern, Niedersachsen and Rheinland-Pfalz (Antrag der Länder Baden-Württemberg, Bayern, Niedersachsen und Rheinland-Pfalz)." *Bundesrat Official Documents (Bundesrat Drucksache)*, no. 726/89 (December 15, 1989).

4. Party Politics

a. National Party Platforms

CDU

The Christian Democrats and its coalition parties – the ruling parties – basically advocated an instant approach to German monetary integration. This instant approach to the GEMSU was primarily motivated by electoral calculations to attract East German voters for the People's Chamber (*Volkskammer*) election in May 1990.¹⁴⁴ Still, the majority support of both the Bundestag and the Bundesrat was essential in creating a monetary union. The Christian Democrats strategically highlighted the seriousness of East German immigration problems to attract support for the GEMSU within West Germany.

In response to the huge tide of immigration from East Germany, the government coalition insisted that an instant establishment of monetary union would be the best policy remedy. The underlying rationale was that the introduction of West German Mark (*Deutsche Mark*; DM) into East Germany would stabilize economic situations and further facilitate necessary economic reforms.¹⁴⁵

¹⁴⁴ East Germany had been considered to be with a strong tradition of social democracy, and thus Volkskammer election was expected to be in favor of the Social Democrats. The Christian Democrats included an instant approach to German monetary union in their electoral campaign, which turned out to be remarkably successful. For more details on party competitions for 1990 Volkskammer election, see Lehbruch, Gerhard. "The Process of Regime Change in East Germany: An Institutionalist Scenario for German Unification." *Journal of European Public Policy* 1, no. 1 (1994): 115-41.

¹⁴⁵ Information Office, CDU. "Alfred Dregger: Good Solution for the People in the GDR (Alfred Dregger: Gute Lösung für die Menschen in der DDR)." *Union in Deutschland* (April 26, 1990).

SPD

The Social Democrats refuted the Federal Government's idea of taking the GEMSU as an instrument to control East German migration inflows. Since the very beginning of 1990, the SPD had shown a cautious attitude towards the creation of a monetary union.¹⁴⁶ Social Democrats argued that the currency union between the two Germanys should go hand in hand with necessary economic reforms in East Germany, and should be closely coordinated with European monetary integration.¹⁴⁷

Given the SPD's strong refusal to taking the GEMSU as a policy remedy for the GDR immigration, it is misleading to interpret that the SPD was less concerned with the immigration issue. The Social Democrats were clearly aware of the West German public perception of East German immigrants as "competitors over jobs, housings, places at child-care centers, and other various social services."¹⁴⁸

In response to the surging public concern for East German immigration, the Social Democrats suggested that the number of East German immigrants be controlled through regulations alternative to forming a monetary union, by adding extra preconditions in terms of housing, social security and workplace, and codifying these conditions into a new immigration act.¹⁴⁹

¹⁴⁶ Büchler, Hans. "The Year of German Politics Decision (Das Jahr der deutschlandpolitischen Entscheidungen)." *SPD News service* (January 3, 1990): 2.

¹⁴⁷ Lafontaine, Oskar. "Who Wants an Instant Solution, Must Bear Its Outcome (Wer brauchartige Lösungen will, muß auch die Folgen tragen)." *SPD News service* (February 27, 1990): 3-4.

¹⁴⁸ Welt, Jochen. "About the Burden of a NRW Community That Originated from the Immigration-Storm (Zur Belastung, die einer NRW-Kommune aus dem Übersiedlerstrom entsteht)." *SPD News Service (Sozial Demokratischer Pressedienst)* (January 15, 1990): 2.

¹⁴⁹ Ibid.

b. Intergovernmental Relations

Given these contrasting party platforms, the government coalition performed better than the SPD, in taking advantage of the short-run loss-avoidance tendencies demonstrated by the West German regional governments against the increase in East German immigration. This better performance can be attributed to the following two main factors.

First, the incumbent coalition closely consulted with regional governments through various communicative channels, which were mostly built around the institutional settings of the Bundesrat. According to Waigel, the Federal Minister of Finance at the given time, West German regional governments were promptly informed about the on-going status of negotiations for the GEMSU.¹⁵⁰ The first draft of the treaty on the creation of GEMSU was disclosed to the regional governments on April 25, 1990, just a day after its submission to the East German Prime Minister de Maizière. To provide updated information for regional governments, a total of ten high-level intergovernmental meetings were held between February 15 and May 15, 1990. A representative of the regional governments also directly participated in the negotiation with East Germany on May 14, 1990 and May 17, 1990. In general, the Federal Government's attentiveness to regional voices in the discussion of GEMSU was positively acknowledged by the West German regional governments.¹⁵¹

Another crucial reason that the West German regional governments were

¹⁵⁰ Bundestag. "Bundestag Stenographic Report on Plenary Session 212 (Plenarprotokoll 212)." Bonn, May 23, 1990.

¹⁵¹ For more details on the positive evaluation by the West German Länder of the Federal Government's attentiveness to inter-governmental relations, see Dr.H.C.Rau's (Nordrhein-Westfalen) comment on the federal minister Seister's speech at the Bundesrat sitting 609. Bundesrat. "Bundesrat Stenographic Reports on Plenary Session 609 (Plenarprotokoll 609)." Bonn, February 16, 1990.

attracted to the instant creation of GEMSU was the Federal Government's proposal to abolish the Entrance Law. In response to the increasing dissatisfaction of regional governments with the Entrance Law, the Federal Government submitted a bill for the repeal of the Entrance Law to the Bundesrat on March 20, 1990. The repeal was strategically proposed as an integral part to the creation of GEMSU. The repeal date was set on July 1, 1990, on the same day the GEMSU would enter into force. The termination of the Entrance Law was justified by the changes the GEMSU would bring to inter-German relations.¹⁵² In spite of the attempt by regional governments to hasten the repeal, the Federal Government deliberately kept the repeal as a subordinate option to the package deal of GEMSU.

Table.11 Chronology of the Repeal of the Entrance Law

<p>March 20, 1990</p> <ul style="list-style-type: none"> - A Bill (Bundesrat Drucksache 216/90) for the abolition of the Entrance Law was proposed by the Federal Government to the Bundesrat, on July 1, 1990. <p>April 06, 1990</p> <ul style="list-style-type: none"> - After the 611 sitting deliberation, the Bundesrat released an official statement which was largely supportive of the Federal Government's bill, accepting its argument that the abolition law should enter directly into force on the following day of promulgation <p>April 11, 1990</p> <ul style="list-style-type: none"> - The Federal Government submitted a bill on the abolition of Entrance Law to the Bundestag, with the initial date of July 1, 1990 as the day of entry into force. (Bundestag Drucksache 11/6910) <p>April 23, 1990</p> <ul style="list-style-type: none"> - The Federal Government issued an informative statement to the Bundestag, which included both the Bundesrat's statement of April 6 and the Federal Government's stance towards it. The Federal Government insisted that it would stick to the initial date of July 1, on the grounds that the proposed change of entry date seemed insignificant, relative to the gaining of time.
--

¹⁵² Bundesrat. "Bill by the Federal Government (Gesetzentwurf der Bundesregierung)." *Bundesrat Official Documents (Bundesrat Drucksache)*, no. 216/90 (March 20, 1990).

April 25, 1990

- The bill for the abolition of Entrance Law was deliberated at the 206 sitting of the Bundestag.

May 31, 1990

- The bill for the abolition of Entrance Law was deliberated at the 214 sitting of the Bundestag.

June 1, 1990

- The Bundestag announced its approval of the law for abolition of the Entrance Law to the Bundesrat (Bundesrat Drucksache 388/90)

June 22, 1990

- The Bundesrat agreed to the decision of the Bundestag on the law for abolition of the Entrance Law, after its 615 sitting deliberation.

June 26, 1990

- The Federal Government officially announced the Law for Abolition of the Entrance Law (*Gesetz zur Aufhebung des Aufnahmegesetzes*; Bundesgesetzblatt Teil I 1990 Nr.30 28.06.1990 S.1142)

July 1, 1990

- The Law for Abolition of the Entrance Law entered into force on the same day as GEMSU.

On the day the GEMSU first entered into force, July 1, 1990, the Entrance Law was eventually replaced by the removal of the identity check at the internal borders of the two Germans.¹⁵³ The abolition of Entrance Law was widely welcomed by regional governments, because it was expected to financially unburden West German *Länder* to a considerable degree.¹⁵⁴

In summary, the government coalition could realize their party platform – an instant creation of monetary union, by inviting regional governments to the negotiation process and by combining the repeal of the Entrance Law with the launch of GEMSU.

¹⁵³ Bundesrat. "Regulation by the Federal Government (Verordnung der Bundesregierung)." *Bundesrat Official Documents (Bundesrat Drucksache)*, no. 464/90 (June 27, 1990).

¹⁵⁴ Ibid.

C. Unification Financing

1. Public Finance: Institutionalized Rules and Procedures

Unlike East German immigration which rapidly increased in early stages of the unification process, the payment of unification costs did not take place all at once, decisively due to the institutionalized rules and procedures of public finance.

When it comes to the issue of public finance under the West German federal system, regional governments as well as the Federal Government were main stakeholders, and both parties were deeply involved in major decision-makings.¹⁵⁵ Given the diverse tax-revenue-sharing mechanisms at both the Federation- *Länder* and the inter-*Länder* levels, legislation and administration of taxes required a close coordination not only between the Federation and *Länder* but also among *Länder* themselves.¹⁵⁶

A complicated legislative procedure was also necessary for federal budget planning. The Ministry of Finance was the major government body in charge of the federal budget drafting.¹⁵⁷ The budget drafted by the Ministry of Finance was closely reviewed by the Federal Government. After this examination, the budget draft was officially proposed to both chambers of the parliament –the Bundestag and the Bundesrat

¹⁵⁵ Zimmermann, H. "Fiscal Equalization between States in West Germany." *Government and Policy* 7 (1989): 385-93.

¹⁵⁶ Romsa, Gerald, Morris Blenman, and Joseph Nipper. "From the Economic to the Political: Regional Planning in West Germany." *Canadian Geographer / Le Géographe canadien* 33, no. 1 (1989): 47-57.

¹⁵⁷ The Ministry of Finance set out the annual guideline for federal ministries to follow in budget estimations, compiled the preliminary budget proposals from different ministries, and finally consolidated the federal budget draft. For more details, see Voigt, Rüdiger. "Financing the German Federal System in the 1980s." *Publius: The Journal of Federalism* 19, no. 4 (1989): 99-113.

– for final legislation.¹⁵⁸

These institutionalized decision-making processes indicate that an instant rearrangement of public finance was virtually impossible during the process of unification, even when extra tax revenues were essential to finance German unity in the long run. In fact, many studies found that it was not until 1994 that the unified Germany began to increase tax, and financially support the East German economy.¹⁵⁹ Up to 1993, large public transfers from the West to East mostly relied on debt-financing, which resulted in a rapid accumulation of public debt in the early 1990s.¹⁶⁰

2. Future-Cost-Discounting of West German Regional Governments

The implausibility of instant tax increase, which was inherent to the institutionalized rules and procedures of public finance in West Germany, resulted in inter-temporal decision-making for unification financing. This inter-temporal nature of unification financing induced both the general public and regional governments of West Germany to show a different pattern of loss-avoidance from the case of East German immigration. Given the inter-temporal options of whether to pay unification costs now or later, West German public and regional governments discounted the future costs, and preferred delayed payment.

¹⁵⁸ Ibid.

¹⁵⁹ Gokhale, Jagadeesh, Bernd Raffelhüschen, and Jan Walliser. "The Burden of German Unification: A Generational Accounting Approach." *Finanz Archiv/Public Finance Analysis* (1995): 141-65.; Siebert, Horst. *The Big Bang with the Big Brother: German Unification in Its Third Year*. Kieler Diskussionsbeiträge, 1993. :11.

¹⁶⁰ Public debt in percentage of total GDP was 41.1% in 1991, and 57.7% in 1995. For more details on West-East transfer and public deficits of unified Germany, see Raffelhüschen, Bernd, Jan Walliser, and Willi Leibfritz. "Unification and Aging in Germany: Who Pays and When?". In *Generational Accounting around the World*, 277-98: University of Chicago Press, 1999.

Future-cost-discounting in inter-temporal decision-makings is a widely observed phenomenon, particularly in the domain of policy choices. Numerous studies confirmed that citizens usually devalue both costs and benefits of a certain policy choice, according to how much the policy is delayed.¹⁶¹ Various efforts were made to account for this future-discounting, and one common finding was a positive correlation between uncertainty about the future and future-discounting.¹⁶²

Prospect theory provides a more systematic interpretation of future-discounting, with the concept of the certainty effect. The certainty effect provides two major insights. First, people prefer a sure gain over a larger gain that is merely probable. Second, people prefer a larger loss that is merely probable over a sure loss. This second insight of prospect theory illustrates the future-cost-discounting by the West German general public and regional governments in the process of unification.

During the first half of 1990, the West German general public revealed relatively little concern for tax increases. More precisely, they were aware of the prospective loss by a tax increase to support unification, but did not assign much significance due to its relatively moderate imminence compared to the East German immigration problem. According to the *Politbarometer* survey of 1990, the problem of East German immigrants was nominated by more than 10% of West German respondents as the most serious

¹⁶¹ Jacobs, Alan M, and J Scott Matthews. "Does Timing Matter? Intertemporal Policy Choice and the Mass Public." Paper presented at the Annual Meeting of the Midwest Political Science Association, April, 2008.; Jacobs, Alan M, and J Scott Matthews. "Why Do Citizens Discount the Future? Public Opinion and the Timing of Policy Consequences." *British Journal of Political Science* 1, no. 1 (2012):1-33.

¹⁶² Jacobs, Alan M, and J Scott Matthews. "Political Uncertainty and Public Support for Policy Tradeoffs: An Experimental Investigation." Paper presented at the Miller Center, University of Virginia, November 9, 2012.; Getzner, Michael. "Risk, Uncertainty and Discounting in Practical Environmental Decision Making." Paper presented at the Proceedings of the *Workshop 'Risk and a framework for Valuing Nature,'* 1999.

problem in January, 1990.¹⁶³ In contrast, those who chose a tax increase as the most serious problem was consistently lower than 1% from January to June 1990.¹⁶⁴

Politbarometer also revealed that the perceived plausibility of tax increases was greater in a short-run prospection than in a long-run prospection. Monthly surveys from February to June 1990 revealed that more than 50% of West German respondents expected that German unification would bring more disadvantages than advantages to the West German population in a short run. The most outstanding reasoning for this negative anticipation was the prospect of a tax increase.¹⁶⁵

Table.12 Expected Effects of German Unification on the West Germans (%)

		February	March	April	May	June
Short-Run	Advantage	10.4	12.4	14.1	12.6	13.0
	Disadvantage	55.6	53.7	51.6	57.5	50.0
	Balanced	33.9	33.9	34.2	29.8	37.0
Long-Run	Advantage	47.8	50.6	48.9	49.5	47.3
	Disadvantage	8.5	8.9	8.8	7.8	12.2
	Balanced	43.7	40.5	42.3	42.6	40.5

*Excerpted from a *Politbarometer* cumulative dataset for 1990 (ZA1920) available from Institute for Election Research (*Forschungsgruppe Wahlen*), Mannheim, Germany. *Politbarometer* surveys are based on telephone interviews with randomly selected eligible voters living in private households. The sample for *Politbarometer Election Study 1990 (Trend Inverstigation)* consisted of about 1,000 West German and West Berlin respondents for each month.

In contrast, about 50% of the respondents believed that German unification would have more advantages than disadvantages in the long run. These distinct expectations between a short-run and a long-run effect of unification imply that the West Germans were generally more concerned about a short-run tax increase, and inclined to

¹⁶³ Institute for Election Research (*Forschungsgruppe Wahlen*), “*Politbarometer* Cumulative Dataset 1990 (ZA1920),” 1990.

¹⁶⁴ *Ibid.*

¹⁶⁵ *Ibid.* More than 40% of respondents who predicted negative effects on West Germans indicated tax increase as the most prominent disadvantage of German Unification.

avoid this sure loss by delaying the payment of unification costs to the future.

Against the backdrop of public preference for a gradual payment of unification costs, West German regional governments strongly preferred long-run investments over short-run unilateral transfers as the mode of unification financing. West German regional governments viewed German unification as containing two contrasting potentials, economic opportunities and financial burdens. Accordingly, unification financing could also take two forms, long-run investments to seize economic opportunities and short-run unilateral transfers without any significant economic returns for West German *Länder*. West German regional governments unambiguously preferred investments over unilateral transfers during the process of unification. They adopted two major strategies to promote investments as the mode of unification financing.

The first strategy was to establish a direct *Land*-level economic relation with the East German regions. In order to take advantage of the economic opportunities of German unification, West German *Länder* competitively took various *Land*-level initiatives to engage with the East German economy.¹⁶⁶ Baden-Württemberg provides a good example, of which regional parliament (*Landtag*) decided early in February 1990 on the strengthening of economic and cultural ties with Sachsen – a region of East Germany.¹⁶⁷ Baden-Württemberg cooperated closely with Sachsen in the comprehensive

⁹ For more details on how the West German *Länder* competed with each other for joint-ventures with East Germany, see Bürgerschaft der freien und Hansestadt Hamburg Landtag. "Implementing Economic Cooperation with the GDR (Wirtschaftliche Zusammenarbeit mit der DDR-Betrieben)." *State Parliament Official Documents (Bürgerschaft der freien und Hansestadt Hamburg Landtag Drucksache)*, no. 13/5260 (January 3, 1990).

¹⁶⁷ Baden-Württemberg, Landtag. "Proposal by CDU and Statement by the Ministry of Education and Culture (Antrag der Fraktion der CDU und Stellungnahme des Ministeriums für Wissenschaft und Kunst)." *State Parliament Official Documents (Landtag von Baden-Württemberg Drucksache)*, no. 10/2834 (January

fields of environment, education, art, social services, public services, business management and banking system.¹⁶⁸ Besides Baden-Württemberg and Sachsen, other such inter-*Land* partnerships for issues of common interests were popular between West German regions and East German regions in 1990.¹⁶⁹

Table.13 Baden-Württemberg's Partnership with Sachsen

<p>January 16, 1989</p> <ul style="list-style-type: none"> - A proposal was submitted by the SPD to the regional parliament, calling for cooperation with Dresden – a district of Sachsen in GDR –for environmental issues. <p>January 16, 1990</p> <ul style="list-style-type: none"> - A proposal was submitted by the SPD to the regional parliament, requesting more strengthened cooperation with the GDR in the field of education. <p>January 23, 1990</p> <ul style="list-style-type: none"> - A proposal was submitted by the SPD to the regional parliament, requesting cooperation with the GDR in the field of film industry. <p>February 7, 1990</p> <ul style="list-style-type: none"> - The cooperation with Dresden was deliberated as the first daily agendum at the 38 sitting of the regional parliament. <p>February 12, 1990</p> <ul style="list-style-type: none"> - The Ministry of Environment issued a statement, declaring more close collaboration with Dresden in environmental fields.

26, 1990).; Baden-Württemberg Landtag. "Proposal by FDP/DVP and Statement by the Ministry of Education and Culture (Antrag der FDP/DVP und Stellungnahme der Ministeriums für Wissenschaft und Kunst)." *State Parliament Official Documents (Landtag von Baden-Württemberg Drucksache)*, no. 10/2764 (January 16, 1990).

¹⁶⁸ Baden-Württemberg Landtag. "Proposal by an Assemblyman Erwin Teufel and Others of CDU, and Statement by the Ministry of Interior (Antrag der Abg.Erwin Teufel u.a. CDU und Stellungnahme des Innenministeriums)." *State Parliament Official Documents (Landtag von Baden-Württemberg Drucksache)*, no. 10/2837 (January 29, 1990).; Baden-Württemberg Landtag. "Proposal by SPD and Statement by the Ministry of Environment (Antrag der SPD und Stellungnahme des Ministeriums für Umwelt) ". *State Parliament Official Documents (Landtag von Baden-Württemberg Drucksache)*, no. 10/2770 (January 16, 1990).

¹⁶⁹Hessischer, Landtag. "Proposal by CDU and FDP concerning Hessen-Thürigen Action Program (Antrag der CDU und FDP betreffend Aktionsprogramm Hessen-Thürigen)." *State Parliament Official Documents (Hessischer Landtag Drucksache)*, no. 12/6032 (January 30, 1990).; Bürgerschaft der freien und hansenstadt Hamburg, Landtag. "Proposal by Assemblyman Ove Franz, Dr. Georg Jarzembowski, Dr.Rolf Francke, Ralf Mairose, Paul Haarmeyer, Matthias Witt (CDU) and the Party (Antrag der Abg. Ove Franz, Dr. Georg Jarzembowski, Dr.Rolf Francke, Ralf Mairose, Paul Haarmeyer, Matthias Witt (CDU) und Fraktion) ". *Parliament Official Documents (Landtag von Bürgerschaft der freien und hansenstadt Hamburg Drucksache)*, no. 13/5260 (January 1 1990).

February 13, 1990

- The Ministry of Science and Art issued a statement, assuring of more intensified cooperation with the GDR. A special cooperation program with Sachsen, to which the total budget of 19,182 DM was assigned, would financially support both the high school-level and the school-level cooperation, respectively up to the amount of 1,1million DM and 641,000 DM.
- The Ministry of Science and Art issued a statement, expressing the willingness of regional government to support GDR's film industries and further to promote co-production of films between Baden-Württemberg firms and GDR firms.

March 28, 1990

- A proposal was submitted by the CDU to the regional parliament, regarding the cooperation with Sachsen in the areas of administration, education, environment, social service, and business.

April 25, 1990

- The State Ministry issued a statement informing of comprehensive measurements and projects run by the regional government, to which various know-how transfers to Sachsen in fields of business management, administration, environment and health were included.

June 15, 1990

- A proposal was submitted by the SPD to the regional parliament, calling for a greater engagement in the energy sector of Sachsen.

July 17, 1990

- The Ministry of Economy, Business and Technology issued a statement, saying that already a wide range of academic cooperation was taking place with Dresden, in the realm of energy economy and technology.

Another strategy deployed by the West German regional governments to minimize unilateral transfers was to get involved in the planning of federal institutions for unification financing. This strategy was most prominent in the process of establishing the German Unity fund (*Fonds Deutsche Einheit*). As a Federation- *Länder* joint fund, the central question of the German Unity Fund was how to determine the financial arrangements between the Federation and *Länder*. The West German regional governments carefully negotiated with the Federal Government over detailed rules and regulations of the fund, in order to make the distribution of financial burdens more

favorable to themselves.¹⁷⁰

The German Unity Fund was first proposed by the Financial Committee of the Bundesrat on May 21, 1990. The Bundesrat Committee wanted the creation of the German Unity Fund for two reasons. First, by establishing a separate fund, the Committee intended to clarify intergovernmental financial arrangements for unification financing in advance. The Federal Government's initial bill draft for the GEMSU Treaty simply stated the total amount of funds (115 million DM) for the support of East German economy, for the period from 1990 to 1994.¹⁷¹ Annual distribution of the funds was not specified, except for the year 1990 (22 million DM) and the year 1991 (35 million DM).¹⁷² The Bundesrat Committee called upon more specific annual distribution of the fund. The suggested annual distribution was as follows: 22 million DM for 1990, 35 million DM for 1991, up to 28 million DM for 1992, up to 20 million DM for 1993, and up to 10 million DM for 1994.¹⁷³

The Bundesrat Committee also attempted to delimit the *Länder's* burden of unification costs through the German Unity Fund. The Committee insisted that the financial contribution of the *Länder* to the fund should be specified in the law for the creation of the German Unity Fund. The major source of *Länder's* contribution was

¹⁷⁰ For more details on an individual Land's interest in the financial arrangements of the German Unity Fund, see Bürgerschaft der freien und hansenstadt Hamburg, Landtag. "A Small Written Inquiry of Assemblyman Paul Busse (SPD) on May 29, 1990 and Answers of the Senate (Schriftliche kleine Anfrage des Abgeordneten Paul Busse (SPD) vom 29. 05. 90. und Antwort des Senats)." *State Parliament Official Documents (Bürgerschaft der freien und hansenstadt Hamburg Landtag Drucksache)*, no. 13/6056 (June 8, 1990).

¹⁷¹ Bundesrat. "Bill Proposal by the Federal Government (Gesetzentwurf der Bundesregierung)." *Bundesrat Official Documents (Bundesrat Drucksache)*, no. 350/90 (May 18, 1990).

¹⁷² Bundesrat. "Recommendation by the Committees (Empfehlungen der Ausschüsse)." *Bundesrat Official Documents (Bundesrat Drucksache)*, no. 350/1/90 (May 21, 1990).

¹⁷³ Ibid.

suggested as partial sacrifices of the *Länder's* share of the turnover tax.¹⁷⁴ The Committee also stressed that the German Unity Fund not be entirely reliant upon intergovernmental financing, on the basis that the Federation was likely to attain extra savings in such fields of defense, thanks to the change in world political circumstances.¹⁷⁵ The Committee called for these extra savings to be exploited for the German Unity Fund. The Committee's effort to delimit the financial burden of the *Länder* was also evident in the following quote:

“In its agreement to the Federal Government, the Bundesrat makes it clear that the *Länder's* share of the unification costs is finalized by the proposed bill. Risks, which are beyond the specified contribution, are therefore burdened by the Federation.”¹⁷⁶

In general, these recommendations of the Financial Committee were directly adopted in the Bundesrat's official statement on June 1, 1990.¹⁷⁷

In short, both the West German general public and regional governments perceived the issue of unification financing as an inter-temporal choice, and attempted to avoid short-run losses in terms of tax increases and unilateral transfers. They preferred a delayed payment because they discounted the future costs of unification.

¹⁷⁴ Ibid.

¹⁷⁵ Ibid.

¹⁷⁶ Ibid: 3.

¹⁷⁷ Bundesrat. "Statement by the Bundesrat for the Bill of GEMSU Treaty (Stellungnahme des Bundesrates)." *Bundesrat Official Document (Bundesrat Drucksache)*, no. 350/90 (June 1, 1990).

3. Party Politics

a. National Party Platforms

CDU

The incumbent party insisted that the German monetary union was necessary to take full advantage of the economic opportunities the German unification would offer. The Christian Democrats argued that German unification would provide a good chance for an economic boom. East Germany was introduced as a potential source of large commodity demand, which would provide extra impulse for the economy of unified Germany.¹⁷⁸ This economic boom was expected to provide favorable investment climates and create more jobs.¹⁷⁹

With respect to concerns on costs of unification, particularly, on short-run tax increases, the government parties asserted that East Germany would self-sufficiently cover a large part of its own economic reconstruction costs.¹⁸⁰ The East German economy was expected to grow rapidly, with decreasing unemployment rates and increasing tax incomes. Overall, the plausibility of a tax increase for the West Germans was estimated to be considerably low.

What the Christian Democrats tried was to advertise the positive prospect of economic growth to offset the negative prospect of unification financing. Given the

¹⁷⁸ Information Office, CDU. "Rudolf Seiters: Our Fellow Citizens in the GDR Are Welcomed to the Free Nations' Community (Rudolf Seiters: Unsere Mitbürger in der DDR sind in der Gemeinschaft freier Völker willkommen)." *Union in Deutschland* (May 3, 1990): 4-11.

¹⁷⁹ Information Office, CDU. "Economic Boom through German Unification (Wirtschaftlicher Aufschwung durch deutsche Einheit)." *Union in Deutschland*, (April 12, 1990): 1-3.

¹⁸⁰ Information Office, CDU. "Chancellor Helmut Kohl: No Tax Increase for the Start-up Financing of the GDR (Bundeskanzler Helmut Kohl: Keine Steuererhöhungen für die Abschubfinanzierung in der DDR)." *Union in Deutschland* (April 12, 1990): 4.

psychological insight that people are more motivated by losses than by gains, it was necessary for incumbent parties to provide a convincing counterargument against the prospective loss of monetary integration – a short-run tax increase.

In support of the promise for no tax increase, the government parties also depended on the reputation of the German Central Bank (*Deutsche Bundesbank*), whose institution had been widely known for its legal independence¹⁸¹ as well as a remarkable record of controlling inflation as well as safeguarding the value of the West German Mark (*Deutsche Mark*; DM).¹⁸² The initial stance of Bundesbank was rather unfavorable to the instant creation of the GEMSU,¹⁸³ but the Bundesbank eventually agreed to help the government initiative of rapid monetary integration on February 9, 1990. The ruling parties often accentuated the fact that the GEMSU and the German Unity Fund would run under the careful guidance of both the Ministry of Finance and the Bundesbank.¹⁸⁴ The Bundesbank's involvement essentially guaranteed the stability of monetary policy after the GEMSU.

¹⁸¹ For legal grounds of the Bundesbank's independence, see Sturm, Roland. "How Independent Is the Bundesbank?". *German Politics* 4, no. 1 (1995): 27-41.

¹⁸² Leaman, Jeremy. "The Bundesbank—Unelected Government of Germany and Europe?". *Debate: Journal of Contemporary Central and Eastern Europe* 1, no. 1 (1993): 8-32.

¹⁸³ Karl-Otto Pöhl, the head of the Bundesbank of that given time, had warned of economic side-effects a haste adoption of Deutsche Mark would cause in East Germany. The Bundesbank also strongly refuted the one-to-one conversion rate – the rate offered by the Federal Government – between the East German Mark and the Deutsche Mark, and managed to retain the general conversion rate of 2:1. For more details, see Karl, Martin, and Georg. Heipertz. "How Strong Was the Bundesbank?: A Case Study in the Policy-Making of German and European Monetary Union."

¹⁸⁴ Information Office, CDU. "German Unification Is to Be Financed without Tax Increase (Die deutsche Einheit ist ohne Steuererhöhungen zu finanzieren)." *Union in Deutschland* (May 31, 1990): 17.

SPD

The SPD questioned the Federal Government's promise for no tax increase to support German unity.¹⁸⁵ They criticized that the Federal Government had been strategically avoiding the issue of tax increase and kept it undisclosed out of electoral calculations.¹⁸⁶

The Social Democrats particularly aimed at winning the hearts of West German regional governments through the issue of unification financing. They alleged that the lack of clarity concerning the cost of unification was particularly problematic, especially in the context of establishing reasonable financial relations between the Federation and the *Länder*.¹⁸⁷ The Social Democrats insisted that the regional governments were poorly informed of both the actual amount of financial resources required for German unification, and their own share of the financial responsibility.¹⁸⁸

b. Intergovernmental Relations

A perception of unification financing as an inter-temporal decision-making induced West Germans to discount the future costs, and to form a preference for delayed payment of unification costs. Their primary interest was to minimize the short-run losses in terms of tax increases and unilateral transfers.

¹⁸⁵ Poß, Joachim. "Tax Increase for the Cost of German Unification? (Steuererhöhungen für die Kosten der deutschen Einheit?)." *SPD News service* (April 9, 1990): 1-2.

¹⁸⁶ Wiczorek, Helmut. "The Cost of Unification Should Not Be Imposed upon Länder and Social Fund (Kosten der deutschen Einheit nicht Ländern und Sozialkassen aufbürden)." *SPD News service* (April 5, 1990): 4.

¹⁸⁷ *Ibid.*

¹⁸⁸ Scharping, Rudolf. "The Reality Comes Little by Little (Die Wahrheit kommt scheinchenweise)." *SPD News service* (April 17, 1990): 3. ; Hiersemann, Karl-Heinz. "About the Question of How Much Bayern's Contribution to the Unification Should Cost: Waigel Should Disclose His Plan (Zur Frage, Was der Bayerische Beitrag für die deutsche Einheit kosten soll)." *SPD News service* (May 4, 1990): 3. ; Wiczorek, Helmut. "The Intention of the Federal Government to Divide German Unification Cost between the Federation, the Länder and the GDR (Zur Absicht der Bundesregierung, die Kosten der deutschen Vereinigung zwischen Bund, Ländern und DDR aufzuteilen)." *SPD News service* (May 9, 1990): 4.

Given this regional preference, the government parties could gain supports for the instant creation of GEMSU, mainly by creating the German Unity fund (*Fonds Deutsche Einheit*). As noted above, the Bundesrat strongly called for the establishment of the German Unity Fund, for more specified intergovernmental arrangements of unification financing. In a swift response to the Bundesrat's request, the government coalition came up with a package deal between the German Unity Fund and the GEMSU. The German Unity Fund assigned a total budget of 22 million DM for the second half of 1990, and 35 million DM for the following year of 1991.¹⁸⁹

In general agreement to the Bundesrat's framework of the German Unity Fund,¹⁹⁰ the Federal Government added a new clause for credit financing (Article 30, Section 5, Clause 2). According to the clause, the Federal Minister of Finance could procure the German Unity Fund by credit financing, up to 20 million DM in 1990, up to 31 million in 1991, 24 million DM in 1992, 15 million DM in 1993, and 5 million DM in 1994.¹⁹¹ An inclusion of this separate clause for credit financing provided the government coalition with a good chance to ensure the regional governments that the German Unity Fund would be mostly dependent on debt-financing, thereby requiring no

¹⁸⁹ Though it was not included in the bill, the annual budget plan beyond 1991 was suggested as follows by the Federal Government: 28 million DM for 1992, 20 million DM for 1993 and 10 million DM for 1994. For more details, see Bundestag. "Bill Proposal by the Federal Government (Gesetzentwurf der Bundesregierung)." *Bundestag Official Documents (Bundestag Drucksache)*, no. 11/7350 (June 7, 1990).

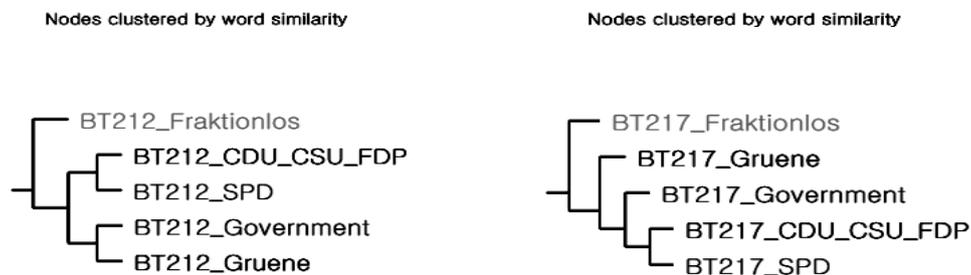
¹⁹⁰ The main purpose of the German Unity Fund was to settle down inter-governmental financial arrangements for German monetary integration. The financial liability was shared by both the Federation (*Bund*) and the federal states (*Länder*). For more details, see Bundesrat. "Statement by the Bundesrat for the Bill of GEMSU Treaty (Stellungnahme des Bundesrates)." *Bundesrat Official Document (Bundesrat Drucksache)*, no. 350/90 (June 1, 1990).

¹⁹¹ Bundestag. "Bill Proposal by the Federal Government (Gesetzentwurf der Bundesregierung)." *Bundestag Official Documents (Bundestag Drucksache)*, no. 11/7350 (June 7, 1990).

tax increase.¹⁹²

The Social Democrats failed to come up with their own rhetoric distinct from the incumbent parties. There were two parliamentary proceedings of the Bundestag which played a decisive role in the creation of GEMSU. One was the 212 sitting on 23 May 1990, which was five days after the conclusion of the treaty on GEMSU. The other was the 217 sitting on 21 June 1990 – the day on which the GEMSU was ratified by the Bundestag. In both sittings, parliamentary addresses by the Social Democrats were hardly distinguishable from the government parties and from the Federal Government, in terms of word similarity. In general, the words used by the Social Democrats were closest to the words of the incumbent parties – the CDU/CSU and the FDP.

Figure.7 Cluster-Analysis of Bundestag Sitzings 212 and 217 by Word Similarity



Given the lack of a unique strategy by the Social Democrats, the creation of the German Unity Fund was perceived by the West German general public and regional governments as reducing the plausibility of short-run loss – short-term tax increases and

¹⁹²For instance, the Federal minister of Finance, Waigel emphasized economic feasibility of this debt-financing without tax increase in the 212 Bundestag plenary session on May 23, 1990. For more details, see Bundestag. "Bundestag Stenographic Report on Plenary Session 212 (Plenarprotokoll 212)." Bonn, May 23, 1990.

unilateral transfers. The creation of the German Unity Fund supported the ruling parties' unification initiatives of swift monetary integration, and the treaty on GEMSU was ratified at a remarkably swift pace. After the conclusion of the treaty on GEMSU on May 18, 1990, the Bundestag ratified the treaty on June 21, 1990, with 445 members voting for, and 60 members voting against.¹⁹³ On the following day, June 22, 1990, the Bundesrat also approved of the treaty, with only two oppositions from Gerhard Schröder of Niedersachsen and Hans Kasper of Saarland.¹⁹⁴ Together with the two-thirds of the *Volkskammer* voting for the treaty, the GEMSU was eventually determined to enter into force on July 1, 1990.

¹⁹³ Federal Ministry of the Interior, Germany "20 YEARS AGO TODAY July 1, 2010, Article: A Decisive Step on the Road to Unity - Economic, Monetary and Social Union between the Federal Republic and the GDR in Force (HEUTE VOR 20 JAHREN Artikel 01.07.2010: Ein entscheidender Schritt auf dem Weg zur Einheit - Wirtschafts-, Währungs- Und Sozialunion zwischen Bundesrepublik und DDR in Kraft)." http://www.bmi.bund.de/cln_165/SharedDocs/Standardartikel/FuE/Chronik_vor_20Jahren/01072010.html?nn=885982. (accessed February 12, 2013)

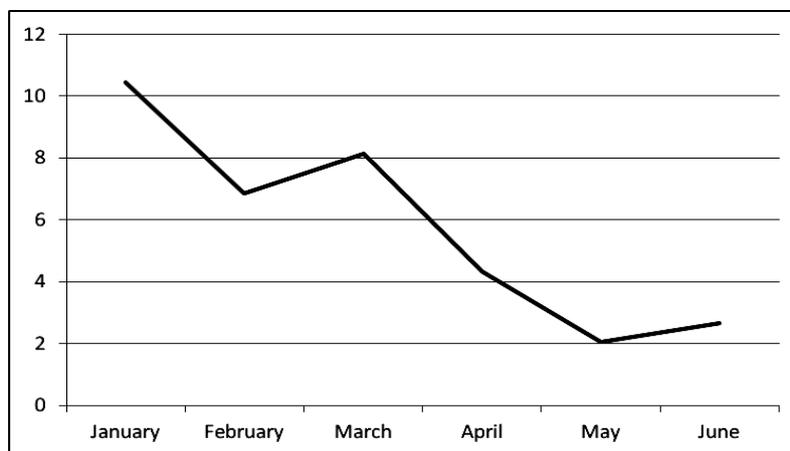
¹⁹⁴ *Ibid.*

V. After German Economic, Monetary, and Social Union: July – December 1990

A. Immigration from East Germany: Decreased Concerns

The creation of GEMSU together with the repeal of the Entrance Law significantly reduced West German interests for increasing immigration from East Germany. Public concerns for the GDR immigration had already observed a consistent downturn during the first half of 1990. According to the *Politbarometer* survey, the rate of respondents who chose East German immigration as the most serious problem had notably reduced from more than 10% in January to less than 3% in June 1990.¹⁹⁵

Figure.8 East German Immigration as the Most Serious Problem at the Moment (%)



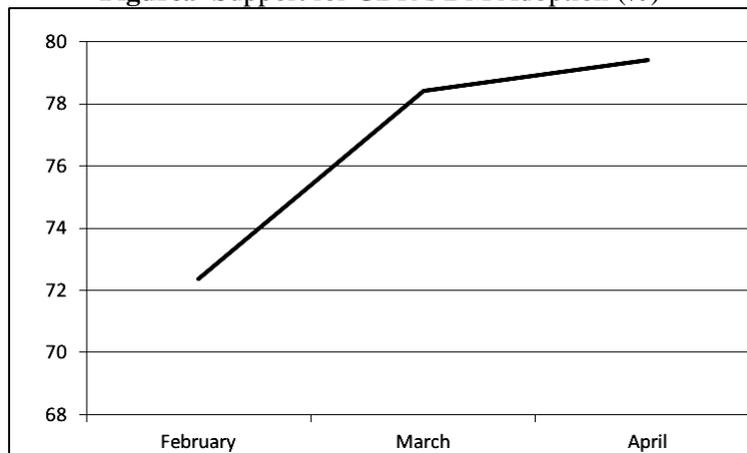
*Excerpted from a *Politbarometer* cumulative dataset for 1990 (ZA1920)

*Figure.8 stands for percentage that designated the GDR immigrants as the most serious problem based on all respondents of the given month: "In your opinion, what is presently the most important problem in the Federal Republic?"

¹⁹⁵Institute for Election Research (*Forschungsgruppe Wahlen*), "Politbarometer Cumulative Dataset 1990 (ZA1920)," 1990.

A contrasting pattern of change was observed in the case of public support for German monetary integration. About 72% of the respondents expressed their support for East Germany's adoption of West German Marks in February 1990.¹⁹⁶ Two months later, the percentage of advocators reached close to 80%.¹⁹⁷ These two contrasting changes indicate that the West German general public widely viewed monetary integration as an effective policy remedy to East German immigration. The prospective loss of increased immigration from East Germany had gradually lost its salience to the general public, since the two Germanys began preparing for monetary integration in February.

Figure.9 Support for GDR's DM Adoption (%)



*Excerpted from a *Politbarometer* cumulative dataset for 1990 (ZA1920)

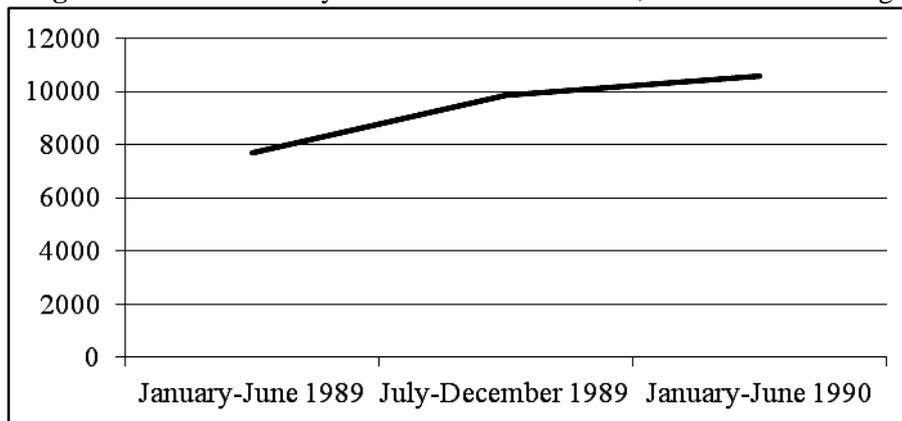
*Figure.9 stands for the percentage in support of the GDR's adoption of Deutsche Mark based on all respondents of the given month: "DM is planned to be introduced as the official currency of the GDR. Do you support the plan or not?"

¹⁹⁶ Ibid.

¹⁹⁷ Ibid.

Against the backdrop of diminished public anxiety, West German regional governments also demonstrated decreased concern for East German immigration.¹⁹⁸ After the repeal of the Entrance Law, West German regional governments began to consider East Germany as a potential solution for the refugee problem. In 1990, West German federal states (*Länder*) were suffering from the increasing number of refugees and asylum-seekers from the old Communist Blocks. For instance, the total number of asylum-seekers in Karlsruhe, a city of Baden-Württemberg in West Germany, persistently increased from 7,694 in the first half of 1989 to 10,562 in the first half of 1990.¹⁹⁹

Figure.10 Number of Asylum-Seekers in Karlsruhe, Baden-Württemberg



*Excerpted from Baden-Württemberg, Landtag. "Small Inquiries of the Assemblyman Rosemarie Glaser of the Green and Answer of the Ministry of Interior (Kleine Anfrage der Abg, Rosemarie Glaser GRÜ NE und Antwort des Innenministeriums)." *State Parliament Official Documents (Baden-Württemberg Landtag Drucksache)*, no. 10/3706 (July 16, 1990).

¹⁹⁸ A primary cause was the creation of GEMSU. Given the fact that the GEMSU had been considered by the West German *Länder* as a remedy to the growing number of East German immigrants, the GEMSU's entry into force on July 1, 1990 naturally led to the reduced certainty of further increases in East German immigration. For more details, see Heiland, F. "Trends in East-West German Migration from 1989 to 2002." *Demographic Research* 11, no. 7 (2004): 173-94.

¹⁹⁹ For more details, see Baden-Württemberg, Landtag. "Small Inquiries of the Assemblyman Rosemarie Glaser of the Green and Answer of the Ministry of Interior (Kleine Anfrage der Abg, Rosemarie Glaser GRÜ NE und Antwort des Innenministeriums)." *State Parliament Official Documents (Baden-Württemberg Landtag Drucksache)*, no. 10/3706 (July 16, 1990).

The growing number of asylum-seekers was particularly problematic, with respect to housing building. The regional government of Baden-Württemberg had to extend its budget for shelter construction from the initial amount of 168,5million DM to 278,5million DM in its 1991/1992 state budget plan.²⁰⁰ By August 1990, 2,362 shelter-constructions in total had already completed, and an additional 3,138 shelters were scheduled to be built by the end of 1990.²⁰¹

In response to the growing burden of hosting asylum-seekers, the parliament (*Landtag*) of Baden-Württemberg attempted to find a solution in East Germany. The political accession of East Germany to West Germany was conceived as an opportunity to take advantage of East Germany's abundant housing capacities for refugees and asylum-seekers.²⁰² The proportional allocation of the burden of accommodating refugees and asylum-seekers to the soon-to-be-acceded East German *Länder* appeared reasonable, based on the spirit of federalism.²⁰³ In contrast to the previous perception of East Germany as a major source of immigration problems, East Germany had eventually become an attractive solution to another type of immigration problem.

In brief, the prospective loss by East German immigrants had lost its certainty due to the emerging prospective gain, that East German *Länder* could share the social and

²⁰⁰ Baden-Württemberg, Landtag. "Proposal by the Assemblyman Günter Schrempp and Others of SPD and Statement by the Ministry of Finance (Antrag der Abg. Günter Schrempp u.a. SPD Und Stellungnahme des Finanzministeriums) ". *State Parliament Official Documents (Baden-Württemberg Landtag Drucksache)*, no. 10/3682 (July 13, 1990).

²⁰¹ Ibid.

²⁰² Baden-Württemberg, Landtag. "Proposal by the Assemblyman Arnold Tölg and Others of CDU and Statement by the Ministry of Interior (Antrag der Abg. Arnold Tölg u.a. CDU und Stellungnahme des Innenministeriums) ". *State Parliament Official Documents (Baden-Württemberg Landtag Drucksache)*, no. 10/3728 (July 20, 1990).

²⁰³ Ibid.

financial burdens of hosting refugees and asylum-seekers with West German *Länder*.

B. Unification Financing

1. Economic Problems of East Germany after the GEMSU

Contrary to the decreased interests for East German immigration, the concern for unification financing increased in the second half of 1990. Given the great economic heterogeneity between the two Germanys, a hasty creation of a monetary union resulted in the labor market breakdown in East German regions.

Table.14 Economic Problems of East Germany

	1989	1990	
		June	December
Industrial Production (1985 =100)	111.8	96.2	50.9
Unemployment (Thousands)	0	142.1	642.2
Short-time Workers (Thousands)	0	656	1794

*Contents excerpted from Neumann, Manfred J. M. "German Unification: Economic Problems and Consequences." *Carnegie-Rochester Conference Series on Public Policy* 36, (1992): 163-209.

According to Neumann, East German unemployment rapidly increased from 142,100 in June 1990 to 642,200 in December 1990.²⁰⁴ The number of short-time workers also notably rose from 656,000 in June to 1794,000 in December 1990.²⁰⁵ The general industrial production also experienced a serious downfall.²⁰⁶ One of the major culprits of East Germany's economic problems after the GEUMSU was a sudden increase in wage level, which was unreasonable considering East Germany's labor productivity

²⁰⁴ Neumann: 163-209..

²⁰⁵ Ibid.

²⁰⁶ Ibid.

level at the time.²⁰⁷

2. Short-Run Loss-Avoidance of West German Regional Governments

The outbreak of the East German unemployment problem induced West Germans to perceive short-run tax increases as more plausible in the second half of 1990 than in the first half of 1990. *Politbarometer* data collected from September to December 1990 portrays such public perceptions. A vast majority of West German respondents made negative evaluations of economic situations in East Germany. The average percentage of positive evaluations was only 1.4%, for the period from October to November 1990.²⁰⁸

Table.15 Public Evaluation of Economic Situation in the East German Regions (%)

	October	November	Average
Good	0.9%	1.9%	1.4%
Partly Good/Bad	16.3%	17.8%	17.0%
Bad	82.8%	80.4%	81.6%

*Excerpted from a *Politbarometer* cumulative dataset for 1990 (ZA1920)

Politbarometer also revealed that the perceived possibility of short-term tax increases grew considerably in the second half of 1990, against the backdrop of pessimistic views on the East German economy. From September to December 1990, on average 75% of West German respondents believed that tax increases in the near future

²⁰⁷ The premature formation of a currency union ended up in a real appreciation in the former GDR regions, which eventually led to real wage increases. Particularly due to the general conversion rate of 1:1, the nominal wage itself rose by several folds in terms of the Eastern currency. In addition, further implementations of the West German system of wage bargaining in the East German industries exacerbated the situation, by setting extremely overvalued minimum wage schedules. This overvaluation of wages led to the serious deterioration of East German employment rate. For more details, see Sinn, Gerlinde, and Hans-Werner Sin. *Jumpstart: The Economic Unification of Germany*. MIT Press, 1994.; Leonhard, Jörn, and Lothar Funk. *Ten Years of German Unification*. Continuum, 2002.; Sinn, Hans - Werner. "Germany's Economic Unification: An Assessment after Ten Years." *Review of International Economics* 10, no. 1 (2002): 113-28.

²⁰⁸Institute for Election Research (*Forschungsgruppe Wahlen*), "*Politbarometer* cumulative dataset 1990 (ZA1920)," 1990.

were necessary to finance German unity.²⁰⁹ Given the increased plausibility, the general public was not all supportive of a prospective tax increases. The percentage of respondents who agreed to tax increases was persistently lower than 50% from September to December 1990.²¹⁰ On average, the percentage rate of the disapproval of tax increases was 52.7%.²¹¹

Table.16 Public Opinion on the Necessity of Tax Increase to Finance German Unification (%)

	September	October	November	December	Average
Tax Increase Not Necessary	17.5	20.4	31.1	28.9	24.5
Tax Increase Necessary	82.5	79.6	68.9	71.1	75.5

Table.17 Public Attitude to Tax Increase (%)

	September	October	November	December	Average
Agree	46.1	49.8	46.5	47.0	47.3
Disagree	53.9	50.2	53.5	53.0	52.7

*Table. 16-17 excerpted from a *Politbarometer* cumulative dataset for 1990 (ZA1920)

The incremented plausibility of short-run tax increase clearly put the West Germans in the domain of loss. A considerable number of West Germans responded that personally, concerns about upcoming problems of unification prevailed joys of overcoming the national division.

Table.18 Prevalent Personal Feeling for German Unification (%)

	September	October	Average
Joy of Unification	47.3%	57.0%	52.2%
Concerns for Associated Problems	52.7%	43.0%	47.8%

*Excerpted from a *Politbarometer* cumulative dataset for 1990 (ZA1920)

²⁰⁹ Ibid.

²¹⁰ Ibid.

²¹¹ Ibid.

A similar pattern of response was also evident in *Kieler* Election Study conducted from November to December 1990. The data demonstrated that a considerable number of West German respondents (48%) conceived German unification as a unilateral financial sacrifice of the FRG citizens for the previous economic failures of the GDR.²¹²

Table.19 Public Perception of German Unification as the FRG’s Unilateral Financial Sacrifice for the GDR

+3 Fully Agree	+2	+1	0	-1	-2	-3 Fully Disagree	Total
246	175	258	248	179	161	149	1416
17.4%	12.4%	18.2%	17.5%	12.6%	11.4%	10.5%	100.0%

*Excerpted from a *Kieler* Election Study cumulative dataset for 1990 (ZA1959) available from Institute for Political Research of Christian-Albrechts University at Kiel (*Institut für Politische Wissenschaft, Christian-Albrechts-Universität Kiel*), Kiel, Germany. *Kieler* Election Study 1990 was based on oral interviews with randomly selected, 1676 eligible voters in the former FRG regions and 1000 eligible voters in the former GDR regions.

Following the growing public concerns for short-run tax increases, West German regional governments also perceived tax increases in the near future as more plausible in the second half of 1990. In particular, *Länder* governed by the opposition parties insisted that greater tax revenues were virtually necessary to support German unity, refuting the Federal Government’s assurance of no tax increases.

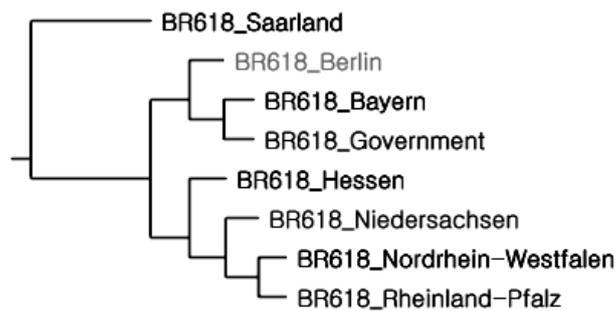
Saarland, of which the Minister-President was Oskar Lafontaine of the SPD, presented such a view at the Bundesrat 618 sitting on September 7, 1990. As a Financial Minister of Saarland, Kasper argued that the Federation (*Bund*) should seriously consider raising its tax revenue, when a simple budget restructuring could not suffice the cost of unification.²¹³ Pros and cons of both tax increases and national debts needed to be

²¹²Institute for Political Research, Christian-Albrechts University at Kiel (*Institut für Politische Wissenschaft, Christian-Albrechts-Universität Kiel*), “*Kieler* Election Study cumulative dataset for 1990 (ZA1959),” 1990.

²¹³ Bundesrat. “Law Draft for the Treaty on August 31, 1990 between the FRG and the GDR on the Creation

carefully evaluated for the national economy of Germany.²¹⁴ Kasper's emphasis on the necessity of tax increases was clearly in contrast to the Federal Government's rhetoric of no tax-increase. As shown in the cluster analysis of the Bundesrat debate over the Unification Treaty, deliberation on the first daily agenda in the plenary sitting 618, words used by Kasper (Saarland) are distinct from words used by other *Länder* delegates as well as the Federal Government in terms of similarity.

Figure.11 Cluster-Analysis of Bundesrat Sitting 618 by Word Similarity
Nodes clustered by word similarity



Facing the growing plausibility of short-run tax increases, West German regional governments called for a more clear settlement of intergovernmental financial relations for German unification. In a parliamentary debate of the Bundesrat 618 sitting, *Länder* delegates argued mainly for three points. First, they emphasized on a balanced distribution of financial burdens between the Federation and the federal states (*Länder*).

of Unified Germany (Entwurf des eines Gesetzes zu dem Vertrag vom 31. August 1990 zwischen der Bundesrepublik Deutschland und der Deutschen Demokratischen Republik über die Herstellung der Einheit Deutschlands)." *Bundesrat Stenographic Report on Plenary Session 618 (Plenarprotokoll 618)* (September 7, 1990): 473.

²¹⁴ Ibid: 463.

Second, they claimed that the German Unity Fund should be used mainly for improving basic infrastructure of East German regions, to better serve investment opportunities of West Germans.²¹⁵ Third, they strongly opposed an instant inclusion of East German *Länder* into the financing equalization scheme (*Finanzausgleich*) at the time of political unity.²¹⁶

The most fiercely advocated issue was the exclusion of East German *Länder* from the financial equalization scheme. The financial equalization scheme was one of the central constituents of West Germany's cooperative federalism. Article 106 of the Basic Law stipulated that living conditions be equalized across *Länder*, for federal integrity. According to Ulrich, West Germany had developed three distinct types of financial equalization – a horizontal equalization among *Länder*, a vertical equalization between the Federation and *Länder*, and inter-governmental financial arrangements for joint-tasks (*Gemeinschaftsaufgaben*).²¹⁷

West German regional governments were well aware of their prospective loss by incorporating the economically underdeveloped East German *Länder* into the financial equalization scheme. Since the 1980s, West German *Länder* had already experienced numerous inter-*Länder* conflicts over financial equalization, which made many scholars seriously doubt whether West Germany was still a cooperative federalism.²¹⁸ In light of these former experiences, West German regional governments made great effort to avoid

²¹⁵ Ibid: 465.

²¹⁶ Ibid: 466.

²¹⁷ Exler, Ulrich. "Financing German Federalism: Problems of Financial Equalisation in the Unification Process.": 22-37.

²¹⁸ Renzsch, Wolfgang. "Financing German Unity: Fiscal Conflict Resolution in a Complex Federation." *Publius: The Journal of Federalism* 28, no. 4 (September 21, 1998): 127-46.

the short-term loss of including East German *Länder* into the framework of financial equalization.

Short-run loss-avoidance was prominent in the Bundesrat Committees' recommendation for the Unification Treaty, which was issued a day before the 618 Bundesrat plenary session. The committees particularly focused on Article 7 of the Unification Treaty. Article 7 prescribed a turnover tax distribution among West German *Länder* from 1991 to 1994, by which West German *Länder* would be charged with extra four to five millions of *Deutsche Mark* (DM). The committees claimed that detailed regulations should be based on a mutual agreement between the Federation and the *Länder*, and also that the Federal Government should address an official statement to publicize the mutual agreement.²¹⁹ Sub-paragraphs were added to Article 7, for the non-inclusion of East German *Länder* into the new turnover tax distribution scheme up until 1994. The committees wanted to make sure that the Federal Government's expenditure for the East German regions would be excluded from the calculation of turnover tax distribution ratio between the Federation and the West German *Länder*.²²⁰

The Bundesrat committees also attempted to delimit West German regions' financial responsibility to German unification. They insisted that the responsibility was 'finalized (*abschließend geleistet*)' by two state-treaties, the Treaty on the GEMSU and the

²¹⁹ The financial and the legal committees commented on the bill on the Unification Treaty, on the basis of Article 76 Section 2 of the Basic Law. For more details, see Bundesrat. "Recommendation by Committees (Empfehlungen der Ausschüsse)." *Bundesrat Official Documents (Bundesrat Drucksache)*, no. 600/1/90 (September 6, 1990).

²²⁰ Ibid.

Treaty on German Unification.²²¹ According to two state-treaties, West German *Länder* were accountable for only two financial duties. The first duty was to partially sacrifice an individual *Land*'s share of turnover tax distribution, following Article 7 Section 3 of the Unification Treaty. This turnover tax distribution among *Länder* was fixed until 1994. The other duty was the financial arrangements for the German Unity Fund, which was regulated by Article 31 of the first state treaty that created GEMSU.²²²

Table.20 The Unification Treaty at the Bundesrat

<p>August 31, 1990</p> <ul style="list-style-type: none"> - A bill was submitted by the Federal Government to the Bundesrat, for a law on the treaty of 31 August 1990 between the Federal Republic of Germany and the German Democratic Republic about the creation of unified Germany (Unification Treaty Law; <i>Einigungsvertragsgesetz</i>). <p>September 06, 1990</p> <ul style="list-style-type: none"> - Concerning the Federal Government's bill, a recommendation was released by the Bundesrat committees, to comment on details of inter-governmental financial arrangements. <p>September 07, 1990</p> <ul style="list-style-type: none"> - The Bill on Unification Treaty was deliberated at the Bundesrat 618 sitting. The Bundesrat published a statement of resolution, which demanded that the financial position of West German <i>Länder</i> should not be worsened by the integration of the GDR <i>Länder</i> into the Federal Republic.
--

The final resolution from the Bundesrat sitting 618 reconfirmed the short-run loss-avoidance of West German regional governments. The Bundesrat was primarily interested in safeguarding the pre-unification status quo of inter-governmental financial arrangements. They demanded that the Federal Government independently manage

²²¹ Ibid.

²²² The West German *Länder* additionally requested that the taxation for the year 1990 was to be closed at the agreement by Article 31 Number 2 of the first state treaty. For more details on the financial arrangements for the German Unity Fund, see Bundesrat. "Regulation by the Federal Government (Verordnung der Bundesregierung)." *Bundesrat Official Documents (Bundesrat Drucksache)*, no. 668/90 (September 26, 1990).

mixed-financing for German unification, and budgets for mixed-financing not be subtracted from the federal budget for individual *Länder*, particularly the budget for joint-tasks.²²³ Regional governments strongly called for their rights to be promptly informed about the economic situations of East Germany, as well as their rights to be engaged in major decision-makings of unification financing.²²⁴

In summary, both the West German general public and regional governments revealed greater concerns for unification financing in the second half of 1990, against the backdrop of rapidly aggravating economic circumstances in East Germany. West German regional governments made significant efforts to preserve their economic status quo, in terms of inter-governmental financial relations. Such efforts were made mostly on a short-run basis, to sustain the status quo during the early years (1991-1994) of German unification.

3. Party Politics

a. National Party Platforms

CDU

The basic stance of the government coalition, which was in favor of the swift pace of unification, had not changed in the second half of 1990. After the monetary integration on July 1, 1990, the Christian Democratic Union and its coalition parties insisted that the GEMSU had provided a solid first step towards full-scale unification. From their

²²³ Bundesrat. "Statement by the Bundesrat for the Unification Treaty Law (Stellungnahme Des Bundesrates Zum Einigungsvertragsgesetz)." *Bundesrat Official Document (Bundesrat Drucksache)*, no. 600/90 (September 7, 1990).

²²⁴ *Ibid.*

perspective, there was no reason to delay political integration, particularly against the backdrop of positive developments in international relations.²²⁵ They claimed that politically unified Germany fit the interests of both the European Community (EC) and the North Atlantic Treaty Organization (NATO).²²⁶

In support of the swift pace of political integration, the government parties suggested Article 23 of the Basic Law (*Grundgesetz*) as a legal basis for German unification. According to Article 23, Germans on the other side of Germany were also subject to the jurisdiction of the Basic Law. Hence, Article 23 provided a good template for German unification without significant constitutional amendments. The CDU argued that “in the time of change, Basic Law guarantees stability and continuity.”²²⁷

SPD

From the perspective of the Social Democrats, it is hard to deny that the rapid pace of unification had become ultimately uncontrollable by both of the West and the East German governments. In reality, the East German government lacked the capability to act autonomously from the West German government, and this lack of independence seriously derogated the legitimacy of the prospective Unification Treaty, which would stipulate East Germany’s accession to West Germany.²²⁸ The continuous immigration

²²⁵ Information Office, CDU. "Helmut Kohl's Great Success in Moscow: The Way of Unification Is Free (Helmut Kohls großer Erfolg in Moskau: Der Weg zur Einheit ist frei)." *Union in Deutschland* (July 19, 1990): 1-6.

²²⁶ Ibid.

²²⁷ Information Office, CDU. "Free and Integrated Germany in Free and Integrated Europe (In einem freien und geeinten Europa ein freies und geeintes Deutschland)." *Union in Deutschland* (June 21, 1990): 29.

²²⁸ Niggemeier, Horst. "About Debates on the Date and the Starting Point of German Unification (Zur Diskussion um Zeitpunkt und Bedingungen der Deutschen Vereinigung)". *SPD News service* (August 6, 1990): 4.

inflows from East Germany even after the March 18th *Volkskammer* election provided good evidences in this regard.²²⁹

On the ground that the East German government could not properly represent the will of the East Germans to make the decision of German unification, the SPD federal chancellor candidate Oskar Lafontaine insisted that German unification needed a national vote separate from the all-German federal election, and also that not only East Germans but also West Germans had to be included as electorates.²³⁰

Concerning the constitutional debates, the SPD strongly advocated drafting a new pan-German Constitution, based on Article 146 of the Basic Law. Social Democrats stated that the all-German constitution would offer opportunities for East Germans to build a collective identity and take part in the constitutional debates of the Federal Republic.²³¹ The central claim was that both East and West German citizens had to be endowed with more direct participatory rights for drafting the all-German constitution.²³² For this collective approach to work, the two Germanys needed to remain separated under the framework of the confederation for a while.

b. Intergovernmental Relations

The issue of unification financing, which loomed over the West German regional governments in the second half of 1990, played a decisive role in the unfolding of

²²⁹ Ibid.

²³⁰ Information Office, CDU. "The Shabby Strategy of the Social Democrats (Die Schäbige Strategie der Sozialdemokraten)."

²³¹ Peter, Horst. "The Debate on All-German Constitution Should Include a Plebiscite (Die Debatte um einen gesamtdeutsche Verfassung muß das Plabiszit einbeziehen)." *SPD News service* (July 9, 1990): 2-3.

²³² Ibid.

political integration. Surging concerns for unification costs might have had negative impacts on the swift proceeding of political unity. Yet, the second state-treaty for political unification, which was based on Article 23 of the Basic Law, was promptly consented by the Bundesrat on September 21, 1990, only a day after the Bundestag adoption. Eventually, the incumbent parties successfully achieved political unity on October 3, 1990.

The key factor of success was to officially declare that inter-governmental financial arrangements remain constant until 1994. In the meantime, the costs of unification would be covered solely by the formerly agreed German Unity Fund.²³³ This declaration significantly relieved *Länder's* concern for short-run unification financing.

Table.21 Extra Income & Expenditure after German Unity (Tentative Estimation of the Federal Government)

	Million DM			
	1991	1992	1993	1994
Extra Income				
Federation	5	4	3	2
Länder	18	15	20	5
Total	12	10	7	3
Extra Expenditure				
Federation	15	14	12	10
Länder	5	1	1	1
Total	—	—	—	—

*Excerpted from Bundestag. "Bill Proposal by the Federal Government (Gesetzentwurf der Bundesregierung)." *Bundestag Official Documents (Bundestag Drucksache)*, no. 11/7841 (12 Sep 1990).

²³³ Exler, Ulrich. "Financing German Federalism: Problems of Financial Equalisation in the Unification Process.": 22-37.

The Federal Government's assurance of preserving the pre-unification status quo in the inter-governmental financial arrangement can be found in its bill proposal to the Bundestag on September 12, 1990. The Federal Government reconfirmed that "the Unification Treaty and its components have only limited direct financial effect (*Der Einigungsvertrag und seine Anlagen haben nur begrenzte unmittelbare finanzielle Auswirkungen.*)".²³⁴ This statement implied that the Unification Treaty would not alter the pre-unification state of inter-governmental financial relations. Keeping the inter-governmental financial arrangements constant, a tentative estimation of financial impacts of German unity was suggested as in the Table.21 suggested above. Again, extra expenditures of West German *Länder* after German unity were presented as considerably small.

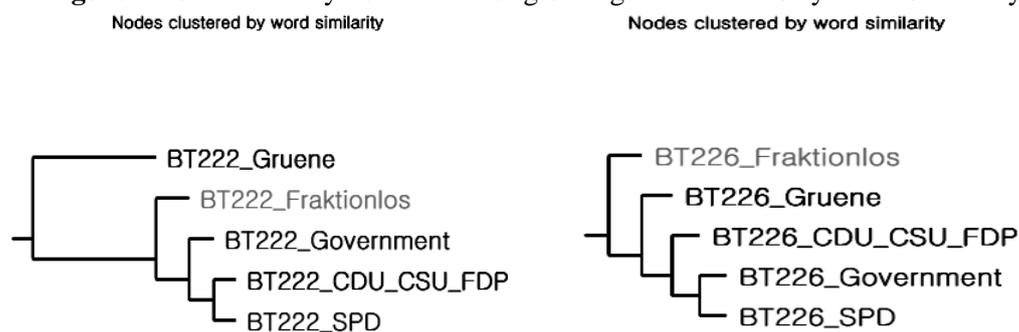
The Social Democrats failed to come up with their own rhetoric to prevent the rapid proceeding of political unification. Cluster analyses of two Bundestag debates over Unification Treaty, which took place at the 222 sitting of September 6, 1990 and the 226 sitting of September 20, 1990 respectively, clearly demonstrate such failures. In both sittings, the SPD used similar words with the Federal Government as well as with the incumbent parties – CDU/CSU and FDP.

As a result, the SPD had no choice but to observe the swift ratification of the Unification Treaty. The Bundestag adopted the Unification Treaty bill on September 20,

²³⁴ The Federal Government repeatedly emphasized the limited financial effects of the Unification Treaty. For more details, see Bundesrat. "Bill Proposal by the Federal Government (Gesetzentwurf der Bundesregierung)." *Bundesrat Official Documents (Bundesrat Drucksache)*, no. 600/90 (August 31, 1990).; Bundestag. "Bill Proposal by the Federal Government (Gesetzentwurf der Bundesregierung)." *Bundestag Official Documents (Bundestag Drucksache)*, no. 11/7841 (September 12, 1990).

1990, with the total approval of 440 out of 490. The Bundestag unanimously approved the Unification Treaty on September 21, 1990. Finally, the two Germanys celebrated unity on October 3, 1990.

Figure.12 Cluster-Analyses of Bundestag Sitzings 222 and 226 by Word Similarity



In summary, despite the highly uncertain outlook for the actual cost of German unity, the government coalition could win the support of West German *Länder* by making an official promise of preserving pre-unification intergovernmental financial arrangements until 1994.

C. All-German Federal Election

The all-German federal election on December 2, 1990 carried great significance as it symbolized the crowning stage of German unification. Major decision-makings during the unification process, namely, the treaty on GEMSU and the Unification Treaty, had considerable effects on electoral outcomes. With much success on their unification initiatives for the two state-treaties, the incumbent parties won greater public support and ultimately stayed in power in unified Germany.

1. Electoral Campaigns

a. CDU

The Christian Democrats' federal election campaign focused on advertising the CDU coalition as a well-prepared coalition for fiscal policies of united Germany. They deployed two rhetorical instruments. First, an analogy was made between the economic difficulties West Germany faced after the Second World War and the recent economic difficulties Germany encountered after unification. Second, they also gave frequent assurances of no tax increases to financially support German unity.

Concerning the issue of unification financing, the CDU coalition often made an analogy between Germany after unification with West Germany after World War II.²³⁵ This analogy was effective in two senses. First, the analogy had positively framed the economic effects of German unification. German unification repainted as an opportunity for an economic boom, which might bring considerable economic development that was comparable to the economic miracle achieved by West Germany in its early years.

Second, the analogy also encouraged voters to take a long-term approach to the issue of unification financing. If electorates had bought the idea that German unification was a generation-long task rather than a year-long task, the Federal Government would be exempt from immediately providing a detailed and concrete financing plan for unification, which had been strongly requested by the Social Democrats. Given the fact that economic side-effects of a rapid monetary integration, namely, the rising unemployment rate in East

²³⁵ Information Office, CDU. "Theo Waigel: We Are Fiscally Well-Prepared for German Unification (Theo Waigel: Wir sind auf deutsche Einheit finanzpolitisch gut vorbereitet)". *Union in Deutschland* (October 4, 1990): 47-49.

Germany,²³⁶ had already become prominent by the time of federal election, the incumbent parties had great need to make the general public believe that this short-term difficulties would not last long.

The government coalition also diligently repeated their promise of no tax increases.²³⁷ They insisted that a tax increase was not only unnecessary but also inappropriate in the sense that it might disturb the economic development of newly joined East German *Länder*. Against the SPD's suspicion, the CDU insisted that German unification would not necessitate tax increases, and would instead be financed by economic growth, savings, economic restructuring, subsidies and reasonable contributions agreed by West German *Länder*.²³⁸

In supports of the promise for no tax increase, the Christian Democrats also cited economic experts who advocated positive outlooks for unified Germany. One good example was a study by Cologne Institute for Economic Research (*Institut der deutschen Wirtschaft Köln; IW*), which anticipated a 76 billion DM surplus by the year 2000 through an increase in tax income and savings.²³⁹ This positive economic prospect allowed government parties to win greater public trust to their claim that no extra money other than the German Unity Fund would be necessary to finance German unity.

²³⁶ For more details on the collapse of the East German labor market, see Burda, M.C., and J.J.A. Hunt. "From Reunification to Economic Integration: Productivity and the Labor Market in Eastern Germany." *Brookings Papers on Economic Activity*, no. 2 (2001): 1-92.

²³⁷ Information Office, CDU. "No Tax Increase for German Unification (Keine Steuererhöhung zur deutsche Einheit)." *Union in Deutschland* (November 15, 1990): 4.

²³⁸ Information Office, CDU. "The Fact Remains: No Tax Increase for German Unification (Es bleibt dabei: Keine Steuererhöhungen für die deutschen Einheit)." *Union in Deutschland* (November 22, 1990): 1-2.

²³⁹ Information Office, CDU. "Cologne Institute for Economic Research: Tax Increases Are Not Necessary for German Unification (Institut der deutschen Wirtschaft: Steuererhöhungen sind für die deutsche Einheit nicht nötig)". *Union in Deutschland* (October 18, 1990): 17-18.

Finally, the CDU's federal election campaign, entitled "Yes for Germany – Yes for the Future (*Ja zu Deutschland – Ja zur Zukunft*)," promoted the CDU coalition as the best choice for the economy of united Germany.²⁴⁰ The electoral campaign highlighted the fact that from 1948 to 1949, the CDU played a central role in introducing social market economy that had brought remarkable economic prosperity to West Germany. It thereby implied that the CDU could create another economic miracle for unified Germany.²⁴¹

b. SPD

The Social Democrats tried to persuade electorates that a new leadership was necessary for unified Germany. The SPD's main electoral strategy was to counter-argue the CDU's claim that the current Federal Government would be the best choice for the economy of newly integrated Germany. Critical evaluations on the past unification process, which had been largely initiated by the incumbent CDU coalition, were made. Adversary economic effects of the swift integration were highlighted. They placed emphasis on two specific problems. One was the growing unemployment rate in the former East German regions, and the other was the unrealistically undervalued costs of unification.

The Social Democrats attempted to attract voters' attention to the persistently worsening employment situation in East German regions. They insisted that the existing employment policies were hardly sufficient, justly citing that every one out of four East

²⁴⁰ CDU, Germany. "Yes for Germany - Yes for the Future (*Ja zu Deutschland - Ja zur Zukunft*)."
Election Campaign of CDU for All-German Federal Election on 2 December 1990 (October 1990).

²⁴¹ Ibid.

Germans were stricken by unemployment problems.²⁴² A large-scale program that was specialized for labor market policies was in urgent need, to improve labor competitiveness and to create more jobs in East Germany.²⁴³ A policy instrument, which combined modern infrastructures and supportive legal devices, was suggested as a practical action plan.²⁴⁴ Establishments of various community-based groups to foster labor training and employment were also proposed.²⁴⁵

The skyrocketing unemployment rate in the East German regions also implied that a greater amount of financial support was necessary. The SPD severely blamed the Federal Government for having undervalued the cost of unification. The Social Democrats indicated that apart from the unemployment problem, the former East German regions needed substantial support to build a capitalist market system. In particular, an information program specialized in customer and debtor education was necessary for the newly joined East German *Länder*. Otherwise, the fast growing debt of citizens in the newly joined *Länder* would soon surpass the budget of West German *Länder*.²⁴⁶ Given the numerous problems in the former GDR regions, the SPD argued that the Federal Government had made false promises regarding the cost of German unification.

In the same light, the Social Democrat's federal election campaign, which was

²⁴² Thierse, Wolfgang. "Every Fourth East German Is Suffering from Unemployment (Jeder 4. Ostdeutsche von Arbeitslosigkeit betroffen)." *SPD News Service (Sozial Demokratischer Pressedienst)* (October 11, 1990): 1-2.

²⁴³ *Ibid.*

²⁴⁴ *Ibid.*

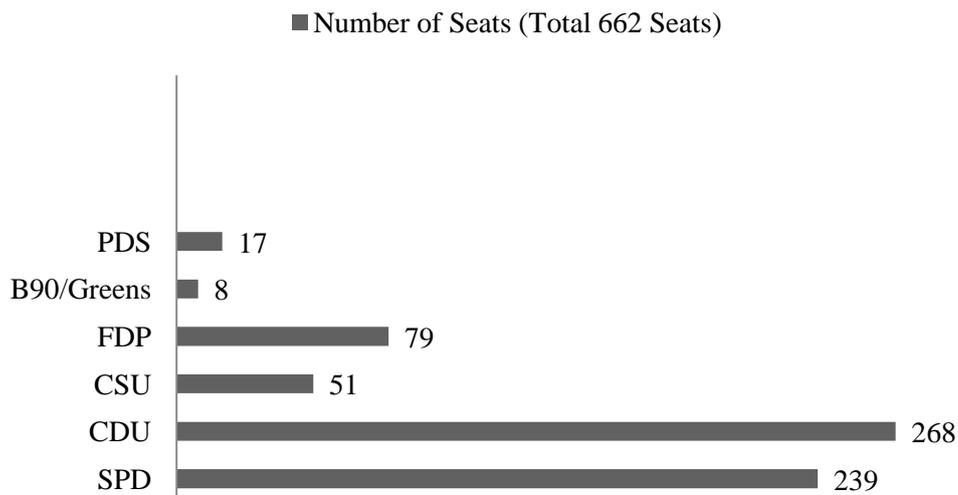
²⁴⁵ Egert, Jürgen. "Leaving Unemployment Alone Will Bring a Bitter Outcome (Aussitzen der Arbeitslosigkeit würde sich bitter rächen)." *SPD News Service (Sozial Demokratischer Pressedienst)* (November 29, 1990): 1-2.

²⁴⁶ Reimann, Manfred. "More Customer-Educations in the Former GDR Are Urgently Requested (Mehr Verbraucheraufklärung in der ehemaligen DDR dringend nötig)." *SPD News Service (Sozial Demokratischer Pressedienst)* (November 9, 1990): 1.

entitled “The New Way – ecologically, socially, economically strong (*Der Neue Weg – ökologisch, sozial, wirtschaftlich stark*),” mainly articulated the issue of unemployment, social welfare and taxation.²⁴⁷ The central keywords were ecological industrial communities, social security and better living conditions.²⁴⁸ In general, the SPD tried to project the incumbent parties as economically ignorant, and present itself as a better alternative for the economy of unified Germany.

2. Election Results

Figure.13 Election to the 12th German Bundestag on 2 December 1990



*Excerpted from Federal Returning Officer, Germany. "Bundestag Election of 2 December 1990." http://www.bundeswahlleiter.de/en/bundestagswahlen/fruehere_bundestagswahlen/btw1990.html. (accessed February 12, 2013)

Despite the message inherent in SPD’s electoral campaign, the electoral victory of the government coalition on December 2, 1990 suggested that the Federal Government had

²⁴⁷ SPD. "The New Way – Ecologically, Socially, Economically Strong (*Der neue Weg – ökologisch, sozial, wirtschaftlich stark*)." *SPD Federal Election Campaign 1990-1994* (September 28, 1990).

²⁴⁸ Ibid.

successfully appealed its economic competency to the German electorates. Out of 662 seats, the CDU/CSU-FDP coalition won 398 seats in total, of which the CDU/CSU made up 319 and the FDP 79 seats. The SPD reserved 239 seats, and failed to produce a new Federal Chancellor.

The predominance of the three ruling parties was observed in both of the West German and the East German regions. The CDU/CSU reserved nearly 45% of votes in the West German area, which was comparable to 41.8% in East German area. The percentage of votes cast for the FDP was approximately 10% in both areas. Though the SPD performed slightly better in the West than in the East, its electoral defeat against the incumbent parties was still prominent in the West German regions. It is surprising that the SPD failed to mobilize the West German general public with its rhetoric of tax-increases, even against rising public concerns for financing German unity.

Table.22 Results of the Party-List Vote, 1990 Bundestag Election

	Germany % Vote	West German Länder (W.Berlin Included) % Vote	East German Länder (E.Berlin Included) % Vote
CDU	36.7	35.5	41.8
CSU	7.1	8.8	-
SPD	33.5	35.7	24.3
FDP	11	10.6	12.9
Greens(West)	3.8	4.8	-
Greens(East)			
Alliance 90/Greens	1.2	-	6
PDS	2.4	0.3	11.1

*Excerpted from Jeffery, Charlie. "Voting on Unity: The German Election of 1990." *International Relations* 10, no. 4 (November 1, 1991): 330.

This remarkable electoral success of the ruling parties was based on the public perception that the incumbent parties had greater willingness and capabilities to deal with German unification. The *Kieler* Election Study 1990 revealed that a considerable majority of West Germans viewed that each ruling party – the CDU, the CSU and the FDP – had taken German unification as the most significant issue of the party. A notably smaller number of respondents replied that the SPD had considered German unification as the most significant issue. This public perception implied that the SPD's economic initiatives for unified Germany appeared less credible to the general public, than that of the Federal Government. In short, the government coalition's success in major policy decisions during the unification process eventually ended up in its electoral success.

Table.23 West German Public Perception of Party-Attitudes towards German Unification

		CDU	CSU	SPD	FDP	Greens
1.Unification is most important	Actual Number	1342	1282	342	590	165
	Effective %	58.5%	56.6%	15.0%	26.0%	7.3%
2	Actual Number	525	462	285	520	115
	Effective %	22.9%	20.4%	12.5%	22.9%	5.1%
3	Actual Number	206	247	409	477	212
	Effective %	9.0%	10.9%	17.9%	21.0%	9.4%
4	Actual Number	150	184	458	473	432
	Effective %	6.5%	8.1%	20.1%	20.8%	19.2%
5	Actual Number	44	49	388	133	349
	Effective %	1.9%	2.2%	17.0%	5.9%	15.5%
6	Actual Number	15	19	254	53	465
	Effective %	0.7%	0.8%	11.1%	2.3%	20.7%
7.Too much Sacrifice for Unification	Actual Number	12	21	148	23	512
	Effective %	0.5%	0.9%	6.5%	1.0%	22.8%
Total	Actual Number	2294	2264	2284	2269	2249
	Effective %	100.0%	100.0%	100.0%	100.0%	100.0%

* Excerpted from a *Kieler* Election Study cumulative dataset for 1990 (ZA1959)

VI. Conclusion

A. Thesis Summary

This thesis attempted to find an answer to the question of why West German regional governments supported the swift pace of German unification, in spite of warnings from the Bundesbank and the SPD. A particular area of concern was West German regional governments' perception of two major economic losses expected from unification – increased immigration from East Germany and increased burden of public finance.

In the first half of 1990 – before the creation of GEMSU, West German regional governments revealed a preference of safeguarding their pre-unification economic status quo. In other words, they evaluated prospects of unification based on a reference point formed at the pre-unification state of wealth. Out of two losses – increased immigration and unification financing, East German immigration was perceived as a short-run loss due to the rapidly growing migration inflows under the Entrance Law since late 1989. A greater loss-avoidance was observed for East German immigration than for unification financing.

In the given time, the CDU and the SPD had divergent party platforms. The CDU advocated an instant establishment of a monetary union, while the SPD stood for a more gradual approach to monetary integration. Between the two contrasting party platforms, the government coalition succeeded in the swift launch of the GEMSU. There were three key factors crucial to this success. First, the GEMSU was framed as a preventive measure of further increases in East German immigration. Second, the

abolition of the Entrance Law was proposed as a package deal to the GEMSU creation. Third, the German Unity Fund was included into the GEMSU treaty to financially support monetary integration.

In the second half of 1990, West German regional governments retained their reference point at the pre-unification economic status quo. The only significant change was in their perception of short-run loss. Together with the launch of GEMSU and the repeal of the Entrance Law on July 1, 1990, loss by East German immigration was no longer perceived as a short-run loss. Instead, against the backdrop of rapidly aggravating economic situations in East Germany, unification financing was perceived as a short-run loss.

In this given time, the incumbent parties and the SPD again revealed diverging party platforms. The CDU promoted a rapid approach to political unity based on Article 23 of the Basic Law. The SPD warned of rushing political integration, and advocated a gradual approach based on Article 146 of the Basic Law. The CDU/CSU-FDP coalition eventually succeeded in achieving political unity on October 3, 1990, based on Article 23 of the Basic Law. The incumbent coalition's strategy was to ensure the preservation of pre-unification intergovernmental financial arrangements, by declaring the German Unity Fund as the only funding source of German unification.

The pan-German federal election concluded with the victory of the government parties. The general public perceived the incumbent parties as more economically competent, particularly in terms of managing the national economy of unified Germany. The process of German unification confirmed all three propositions suggested below:

PROPOSITION.1

Unification with economically under-developed East Germany induced West German regional governments to form a common reference point at the pre-unification state of wealth, and thereby placed themselves in the domain of loss for two specific issues –immigration and public finance – during the unification process.

PROPOSITION.2

Given the high level of uncertainty inherent in prospects of unification, West German regional governments revealed greater loss-avoidance for short-run losses than for long-run losses.

PROPOSITION.3

In spite of economic concerns for the swift pace of unification, the incumbent parties could push forward their instant approach to unification with two policy instruments – abolition of the Entrance Law and creation of the German Unity Fund, which respectively made good use of regional governments' loss-avoidance for increased immigration and increased burden of public finance.

B. Different Patterns of Loss-Avoidance for Immigration and Unification Financing

In addition to the three propositions, the German unification process also confirmed different patterns of loss-avoidance for increased immigration and increased burden of public finance. This difference was due to the contrasting certainties associated with the two negative prospects.

When it comes to the prospective loss by immigration increase, the associated certainty already drew close to one ($W(\text{Immigration}) \approx 1$) by the beginning of 1990. In response to the fall of the Berlin Wall in November 1989, the number of immigrants from East Germany had soared immediately. In turn, West German regional governments perceived the loss by increasing immigration as imminent, and tried to avoid it in the early stages of the unification process. This first finding about West German regional

governments' perception of East German immigration is summarized as follows:

IMMIGRATION

An improper intra-German border control resulted in an immediate increase in the number of immigrants from East Germany in early 1990, which made West German regional governments perceive increased East German immigration as a short-run loss at the early stages of the unification process.

Regarding the issue of unification costs, West German regional governments perceived unification financing as an inter-temporal decision-making. The certainty of increased burden of public finance was widely left ambiguous during the process of unification ($0 \leq W(\text{Tax}) \leq 1$), largely due to the institutionalized rules and procedures of public finance. Against the backdrop of this obscure certainty, the core question on unification financing was whether to pay the unification cost now or later.

West German regional government generally discounted future costs. In other words, they were more attracted to a delayed payment. In terms of certainty effect, West German regional governments attempted to avoid a more certain loss at the given moment than a bigger loss in the coming future. In consequence, West German regional governments did not identify increased burden of public finance as a short-term loss until the second half 1990, when the East German labor market virtually broke down in the aftermath of sudden monetary integration. West German perception on unification financing therefore appeared as follows:

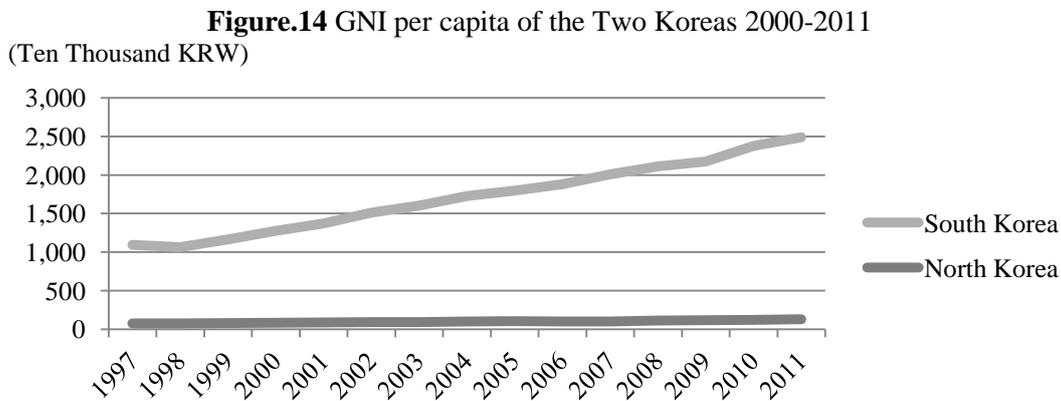
UNIFICATION FINANCING

The institutionalized rules and procedures of public finance made unification financing an inter-temporal decision-making, in which West German regional governments discounted the future costs and did not perceive increased burden of public finance as a short-run loss until the later stages of the unification process.

C. Implications for Korean Unification

1. Growing Economic Inequality between the Two Koreas

Major findings of this thesis about the process of German unification have useful implications for the two Koreas, because the German unification and prospective Korean unification share a distinct similarity, a substantive economic disparity between the two integrating parties.



* Excerpted from Korea Statistics. "North Korea Statistics." 2012
http://kosis.kr/bukhan/bukhanStats/bukhanStats_03_02List.jsp?mode=&menuId=02&NUM=4 (accessed May 6, 2013)

The economic inequality between the two Koreas is persistently growing larger. According to the United Nations, the GDP per capita of North Korea in 2010 was assumed to be 504 USD.²⁴⁹ The GDP per capita of South Korea for the same year was 20,536 USD.²⁵⁰ The figure above released by Statistics Korea also clearly shows the

²⁴⁹ United Nations Statistics Division. "National Account Main Aggregates Database." 2010. [²⁵⁰ Korea Statistics. "National Account: GDP per capita ". *International Statistics* \(2010\). \[http://kosis.kr/gen_etl/start.jsp?orgId=101&tblId=DT_2KAA904&conn_path=I3&path=주제별 국제통계 >\]\(http://kosis.kr/gen_etl/start.jsp?orgId=101&tblId=DT_2KAA904&conn_path=I3&path=주제별 국제통계 >\)](http://kosis.kr/gen_etl/start.jsp?orgId=101&tblId=DT_IJZG101_301&conn_path=I3&path=국제기구별 > UN > 국민계정국내총생산(GDP) (accessed February 12, 2013)</p></div><div data-bbox=)

incrementing economic discrepancy between two Koreas in terms of GNI (Gross National Income) per capita. In 2000, the per capita GNI differential was about 10 million Korean Won, but the differential had increased to more than 23 million Korean Won in 2011.²⁵¹

2. Existing Studies of Unification Costs

Against the growing economic inequality between the two Koreas, many South Korean scholars engaged in studies of unification costs. A group of scholars were interested in finding the most cost-efficient ways of financing Korean unification.²⁵² The analytical scope covered not only post-unification costs, but also pre-unification investments.²⁵³ Another group of scholars were mainly concerned with public opinion management, particularly in improving South Koreans' willingness to pay for Korean unification.²⁵⁴ All these efforts suggest the widespread academic awareness of diverging economic situations between North and South Korea.

In spite of their timely significance, previous studies have mostly taken a static

국민계정1인당 국내총생산(당해년가격) (accessed February 12, 2013)

²⁵¹ Korea Statistics. "North Korea Statistics." 2012.

http://kosis.kr/bukhan/bukhanStats/bukhanStats_03_02List.jsp?mode=&menuId=02&NUM=4 (accessed May 6, 2013)

²⁵² Lee, Sangkeun (이상근). "A New Approach to the Cost of Korean Unification: Minimizing the Conflict between Southern and Northern (남북한지역간 갈등 최소화와 공영을 지향하는 통일비용 지출)." *Unification Studies (통일연구)* 15, no. 2 (2011): 5-36. ; Park, Il Song (박일송). "An Examination of the Fund Raising Methods for Korean Reunification (통일비용조성 방법에 대한 고찰)." *The Korean Association of Local Government Studies Conference Paper 2010(한국지방정부학회 학술발표논문집 2010)* no. 3 (2010): 1-19.

²⁵³ Lee, Younghoon(이영훈). "The Changing Unification Environment and a New Approach to the Studies of Unification Cost and Policy(통일환경 변화와 통일 비용·방안 연구의 새로운 모색)." *North Korean Studies Review(북한연구학회보)* 16, no. 1 (2012): 267-91.

²⁵⁴ Park, Sang Eeg(박상익). "Shift of Awareness and Education Paradigm over Unification (통일에 대한 인식전환과 통일교육패러다임의 시프트)." *Journal of North-East Asian Studies (한국동북아논총)* 59, (2011): 119-43.; Park, Ha Jin(박하진). "Enhancing Unification Consciousness and the Role of Unification Education Members (통일의식제고와 통일교육위원의 역할)." *SeoSuk Social Science Review (서석사회과학논총)* 4, no. 2 (2011): 61-77.

approach to Korean unification, and have paid little attention to the dynamics of the unification process. A unification process is determined by dynamic interactions between diverse preferences of different actors, as this thesis has shown with the case of German unification. In this light, prospect theory as an analytical framework can provide a new approach to predict the future dynamics of the Korean unification process.

3. Lessons for Korean Unification

This thesis has demonstrated the analytical application of prospect theory to study West German domestic preferences during the process of unification. Insightful lessons can be drawn from major findings of this thesis for South Korean domestic preferences during the process of Korean unification.

First, during the process of Korean unification, South Koreans are more likely to form their reference point at the pre-unification state of wealth, than at a long-term national aspiration. Together with the widening economic gap between the two Koreas, South Korea has already observed a growing body of public concerns for unification costs.²⁵⁵ Many studies actually revealed a distinct downfall in South Korean public expectation for economic benefits to be gained from national unification.²⁵⁶

Second, South Koreans would be more attentive to short-run losses than to long-run losses in the unification process. Just like West Germans, South Koreans would

²⁵⁵ Kim, Philo(김병로). “Changes on the Public Perception of Unification and Directions of North Korea Policy for National Integration(통일의식 변화와 국민통합을 위한 대북정책 방향).” *Social Science Studies (사회과학연구)* 55, No.1 (2009):155-72.

²⁵⁶ Kim, Philo and Kyung Hui Choi (김병로, 최경희). “Comparative Analysis of Attitudes toward the Unification of North and South Korea (남북한 주민의 통일의식 비교 분석).” *Journal of peace and unification studies(통일과 평화)* 4, no. 1 (2012): 101-39.

perceive immigration increase as a short-run loss in the early stage of the unification process. This would be the case, if inter-Korean border is suddenly opened and social welfare benefits for North Korean immigrants under the Protection and Settlement Support for Citizens from North Korea Act (*북한이탈주민의 보호 및 정착지원에 관한 법률*) is sustained. Also, South Koreans would perceive unification financing as an inter-temporal choice, and prefer a delayed payment of unification costs to minimize their short-run losses. This short-run loss avoidance by the South Korean general public might induce the South Korean government to achieve Korean unification in an economically sub-optimal way, such as an extensive debt-financing.

Third, a political party which successfully frames their unification initiatives in such a way as to minimize short-run economic losses perceived by South Koreans would gain greater public support during the unification process. Given the public preference of short-run loss avoidance, policy remedy for short-run economic losses would play a more significant role in party politics than long-run national visions.

The central lesson of this thesis is that a national unification can hardly be achieved in a fully rational way based on a readily written unification scenario, due to the inherently bounded rationality of people. Without an understanding of the psychological aspects of the unification process, there is a strong probability that South Korea might lose its control over the process of Korean unification, despite all the well-developed unification scenarios it has prepared.

Integration of two economically imbalanced regions might result in two divergent public opinions during the process of unification. Such stratified public

opinions could be observed in the case of the two Germanys, and are emerging for the two Koreas. A more systematic approach to predicting and managing public opinion in the process of unification is required. Empirical insights of the psychology discipline have a lot to offer in this regard.

D. Future Studies

This thesis has provided two major insights for future studies. First, this thesis has confirmed the role of West German domestic dynamics in the unfolding of the German unification process. Findings of this thesis challenge the widespread assumption that West Germans passively accepted the swift pace of German unification. West Germans formed their preference about unification based on economic calculations, and West German regional governments actively represented this public preference in inter-governmental relations. The swift pace of German unification was subject to active negotiations within West Germany, as much as it was subject to dynamics in the international and the East German-side spheres.

Second, this thesis has also revealed that the West German economic calculation was rather short-sighted during the process of unification. Both of the general public and the regional governments were mostly concerned about avoiding short-run losses. Due to this myopic preference, West German regional governments supported the government coalition's instant approach to unification, in spite of repeated warnings from economic experts.

Concerning the myopic West German domestic preference, this thesis has failed

to suggest how to prevent such myopic attitudes. Future studies can embark on the issue of myopic preference correction. In terms of unification policies, it is important to develop effective strategies to encourage more economically rational public preference during the process of unification. The problem of short-run cost minimization has long been contemplated in studies of intertemporal choices, but has rarely been examined in the context of national unification. Future studies can work on applying existing rich literatures on intertemporal choices to the issue of national unification, and establish a framework specific to intertemporal decision-making in the process of unification.

Bibliography

Primary Sources

Baden-Württemberg Landtag. "Proposal by FDP/DVP and Statement by the Ministry of Education and Culture (Antrag der FDP/DVP und Stellungnahme der Ministeriums für Wissenschaft und Kunst)." *State Parliament Official Documents (Landtag von Baden-Württemberg Drucksache)*, no. 10/2764 (January 16, 1990).

Baden-Württemberg Landtag. "Proposal by SPD and Statement by the Ministry of Environment (Antrag der SPD und Stellungnahme des Ministeriums für Umwelt)". *State Parliament Official Documents (Landtag von Baden-Württemberg Drucksache)*, no. 10/2770 (January 16, 1990).

Baden-Württemberg, Landtag. "Proposal by CDU and Statement by the Ministry of Education and Culture (Antrag der Fraktion der CDU und Stellungnahme des Ministeriums für Wissenschaft und Kunst)." *State Parliament Official Documents (Landtag von Baden-Württemberg Drucksache)*, no. 10/2834 (January 26, 1990).

Baden-Württemberg Landtag. "Proposal by Assemblyman Erwin Teufel and Others of CDU, and Statement by the Ministry of Interior (Antrag der Abg. Erwin Teufel u.a. CDU und Stellungnahme des Innenministeriums)." *State Parliament Official Documents (Landtag von Baden-Württemberg Drucksache)*, no. 10/2837 (January 29, 1990).

Baden-Württemberg Landtag. "Proposal by Assemblyman Günter Schrempp and Others of SPD and Statement by the Ministry of Finance (Antrag der Abg. Günter Schrempp u.a. SPD und Stellungnahme des Finanzministeriums)". *State Parliament Official Documents (Baden-Württemberg Landtag Drucksache)*, no. 10/3682 (July 13, 1990).

Baden-Württemberg Landtag. "Small Inquiries of Assemblyman Rosemarie Glaser of the Greens and Answer of the Ministry of Interior (Kleine Anfrage der Abg. Rosemarie Glaser GRÜNE und Antwort des Innenministeriums)." *State Parliament Official Documents (Baden-Württemberg Landtag Drucksache)*, no. 10/3706 (July 16, 1990).

Baden-Württemberg Landtag. "Proposal by Assemblyman Arnold Tölg and Others of CDU and Statement by the Ministry of Interior (Antrag der Abg. Arnold Tölg u.a. CDU und Stellungnahme des Innenministeriums)." *State Parliament Official Documents (Baden-Württemberg Landtag Drucksache)*, no. 10/3728 (July 20, 1990).

Bayerischer Landtag. "Urgent Proposal by Assemblyman Dr. Magerl, Bäumer, Dr. Kestel, Memmel Romberg Rothe, Scheel, Prof. Dr. Armin Weiß and the Greens (Dringlichkeitsantrag)." *Bayerischer Landtag Drucksache*, no. 11/15127 (February 20,

1990).

Bremische Bürgerschaft Landtag. "Statement by the City President (Mitteilung des Präsidenten der Bürgerschaft)." *State Parliament Official Documents (Bremische Bürgerschaft Landtag Drucksache)*, no. 12/893 (June 6, 1990).

Büchler, Hans. "The Year of German Politics Decision (Das Jahr der deutschlandpolitischen Entscheidungen)." *SPD News service* (January 3, 1990): 2.

Bundesrat. "Proposal by Länder Berlin, Bremen, Nordrhein-Westfalen, Saarland and Schleswig-Holstein (Antrag der Länder Berlin, Bremen, Nordrhein-Westfalen, Saarland und Schleswig-Holstein)." *Bundesrat Official documents (Bundesrat Drucksache)*, no. 723/89 (December 14, 1989).

Bundesrat. "Proposal by Länder Baden-Württemberg, Bayern, Niedersachsen and Rheinland-Pfalz (Antrag der Länder Baden-Württemberg, Bayern, Niedersachsen und Rheinland-Pfalz)." *Bundesrat Official Documents (Bundesrat Drucksache)*, no. 726/89 (December 15, 1989).

Bundesrat. "Bundesrat Stenographic Reports on Plenary Session 609 (Plenarprotokoll 609)." Bonn, February 16, 1990.

Bundesrat. "Bill Proposal by Länder Berlin, Bremen, Nordrhein-Westfalen, Saarland and Schleswig-Holstein (Gesetzantrag der Länder Berlin, Bremen, Nordrhein-Westfalen, Saarland und Schleswig-Holstein)." *Bundesrat Official documents (Bundesrat Drucksache)*, no. 183/90 (March 7, 1990).

Bundesrat. "Bill Proposal by Länder Berlin, Bremen, Nordrhein-Westfalen, Saarland and Schleswig-Holstein (Gesetzantrag der Länder Berlin, Bremen, Nordrhein-Westfalen, Saarland und Schleswig-Holstein)." *Bundesrat Official documents (Bundesrat Drucksache)*, no. 184/90 (March 7, 1990).

Bundesrat. "Bill Proposal by the Federal Government (Gesetzentwurf der Bundesregierung)." *Bundesrat Official Documents (Bundesrat Drucksache)*, no. 216/90 (March 20, 1990).

Bundesrat. "Bill Proposal by the Federal Government (Gesetzentwurf der Bundesregierung)." *Bundesrat Official Documents (Bundesrat Drucksache)*, no. 350/90 (May 18, 1990).

Bundesrat. "Recommendation by the Committees (Empfehlungen der Ausschüsse)." *Bundesrat Official Documents (Bundesrat Drucksache)*, no. 350/1/90 (May 21, 1990).

Bundesrat. "Bundesrat Stenographic Reports on Plenary Session 613 (Plenarprotokoll 613)." Bonn, May 22, 1990.

Bundesrat. "Bundesrat Stenographic Reports on Plenary Session 614 (Plenarprotokoll 614)." Bonn, June 1, 1990.

Bundesrat. "Statement by the Bundesrat for the Bill of the GEMSU Treaty (Stellungnahme des Bundesrates)." *Bundesrat Official Document (Bundesrat Drucksache)*, no. 350/90 (June 1, 1990).

Bundesrat. "Regulation by the Federal Government (Verordnung der Bundesregierung)." *Bundesrat Official Documents (Bundesrat Drucksache)*, no. 464/90 (June 27, 1990).

Bundesrat. "Bill Proposal by the Federal Government (Gesetzentwurf der Bundesregierung)." *Bundesrat Official Documents (Bundesrat Drucksache)*, no. 600/90 (August 31, 1990)

Bundesrat. "Recommendation by Committees (Empfehlungen der Ausschüsse)." *Bundesrat Official Documents (Bundesrat Drucksache)*, no. 600/1/90 (September 6, 1990).

Bundesrat. "Law Draft for the Treaty on August 31, 1990 between the FRG and the GDR on the Creation of Unified Germany (Entwurf des eines Gesetzes zu dem Vertrag vom 31. August 1990 zwischen der Bundesrepublik Deutschland und der Deutschen Demokratischen Republik über die Herstellung der Einheit Deutschlands)." *Bundesrat Stenographic Report on Plenary Session 618 (Plenarprotokoll 618)* (September 7, 1990): 473.

Bundesrat. "Statement by the Bundesrat for the Unification Treaty Law (Stellungnahme des Bundesrates zum Einigungsvertragsgesetz)." *Bundesrat Official Document (Bundesrat Drucksache)*, no. 600/90 (September 7, 1990).

Bundesrat. "Bundesrat Stenographic Report on Plenary Session 619 (Plenarprotokoll 619)." Bonn, September 21, 1990.

Bundesrat. "Regulation by the Federal Government (Verordnung der Bundesregierung)." *Bundesrat Official Documents (Bundesrat Drucksache)*, no. 668/90 (September 26, 1990).

Bundestag. "Bundestag Stenographic Report on Plenary Session 28 (Plenarprotokoll 11/28)." Bonn, September 18, 1987.

Bundestag. "Bundestag Stenographic Report on Plenary Session 47 (Plenarprotokoll 11/47)." Bonn, December 4, 1987.

Bundestag. "Bundestag Stenographic Report on Plenary Session 212 (Plenarprotokoll 212)." Bonn, May 23, 1990.

Bundestag. "Statement by the Bundesrat and Counter-Statement by the Federal Government (Stellungnahme des Bundesrates und Gegenäußerung der Bundesregierung).“ *Bundestag Official Documents (Bundestag Drucksache)*, no. 11/7351 (June 7, 1990).

Bundestag. "Bill Proposal by the Federal Government (Gesetzentwurf der Bundesregierung)." *Bundestag Official Documents (Bundestag Drucksache)*, no. 11/7350 (June 7, 1990).

Bundestag. "Bundestag Stenographic Report on Plenary Session 217 (Plenarprotokoll 217)." Bonn, June 21, 1990.

Bundesrat. "Bundesrat Stenographic Report on Plenary Session 615 (Plenarprotokoll 615)." Bonn, June 22, 1990.

Bundestag. "Bill Proposal by the Federal Government – Attachment: Statement by the Bundesrat and Counter-Statement of the Federal Government (Gesetzentwurf der Bundesregierung – Anlage: Stellungnahme des Bundesrates und Gegenäußerung der Bundesregierung)." *Bundestag Official Documents (Bundestag Drucksache)*, no. 11/7841 (September 12, 1990).

Bundestag. "Bundestag Stenographic Report on Plenary Session 226 (Plenarprotokoll 226)." Bonn, September 20, 1990.

Bürgerschaft der freien und Hansenstadt Hamburg Landtag. "Implementing Economic Cooperation with the GDR (Wirtschaftliche Zusammenarbeit mit der DDR-Betrieben)." *State Parliament Official Documents (Bürgerschaft der freien und Hansenstadt Hamburg Landtag Drucksache)*, no. 13/5260 (January 3, 1990).

Bürgerschaft der freien und hansenstadt Hamburg, Landtag. "Proposal by Assemblyman Ove Franz, Dr. Georg Jarzembowski, Dr.Rolf Francke, Ralf Mairose, Paul Haarmeyer, Matthias Witt (CDU) and the Party (Antrag Der Abg. Ove Franz, Dr. Georg Jarzembowski, Dr.Rolf Francke, Ralf Mairose, Paul Haarmeyer, Matthias Witt (CDU) und Fraktion) ". *Parliament Official Documents (Landtag von Bürgerschaft der freien und hansenstadt Hamburg Drucksache)*, no. 13/5260 (January 1 1990).

Bürgerschaft der freien und hansenstadt Hamburg, Landtag. "A Small Written Inquiry of Assemblyman Paul Busse (SPD) on May 29,1990 and Answers of the Senate (Schriftliche kleine Anfrage des Abgeordneten Paul Busse (SPD) vom 29. 05. 90. und Antwort des Senats)." *State Parliament Official Documents (Bürgerschaft der freien und*

hansenstadt Hamburg Landtag Drucksache), no. 13/6056 (June 8, 1990).

CDU, Germany. "Yes for Germany - Yes for the Future (Ja zu Deutschland - Ja zur Zukunft)." *Election Campaign of CDU for All-German Federal Election on 2 December 1990* (October 1990).

Egert, Jürgen. "Leaving Unemployment Alone Will Bring a Bitter Outcome (Aussitzen der Arbeitslosigkeit würde sich bitter rächen)." *SPD News Service (Sozial Demokratischer Pressedienst)* (November 29, 1990): 1-2.

Hessischer, Landtag. "Proposal by CDU and FDP concerning Hessen-Thürigen Action Program (Antrag der CDU und FDP betreffend Aktionsprogramm Hessen-Thürigen)." *State Parliament Official Documents (Hessischer Landtag Drucksache)*, no. 12/6032 (January 30, 1990).

Hiersemann, Karl-Heinz. "About the Question of How Much Bayern's Contribution to the Unification Should Cost: Waigel Should Disclose His Plan (Zur Frage, Was der Bayerische Beitrag für die deutsche Einheit kosten soll)." *SPD News service* (May 4, 1990): 3.

Information Office, CDU. "Economic Boom through German Unification (Wirtschaftlicher Aufschwung durch deutsche Einheit)." *Union in Deutschland*, (April 12, 1990) :1-3.

Information Office, CDU. "Chancellor Helmut Kohl: No Tax Increase for the Start-up Financing of the GDR (Bundeskanzler Helmut Kohl: Keine Steuererhöhungen für die Abschubfinanzierung in der DDR)." *Union in Deutschland* (April 12, 1990): 4.

Information Office, CDU. "Alfred Dregger: Good Solution for the People in the GDR (Alfred Dregger: Gute Lösung für die Menschen in der DDR)." *Union in Deutschland* (April 26, 1990).

Information Office, CDU. "Rudolf Seiters: Our Fellow Citizens in the GDR Are Welcomed to the Free Nations' Community (Rudolf Seiters: Unsere Mitbürger in der DDR sind in der Gemeinschaft freier Völker willkommen)." *Union in Deutschland* (May 3, 1990): 4-11.

Information Office, CDU. "German Unification Is to Be Financed without Tax Increase (Die deutsche Einheit ist ohne Steuererhöhungen zu finanzieren)." *Union in Deutschland* (May 31, 1990): 17.

Information Office, CDU. "Free and Integrated Germany in Free and Integrated Europe (In einem freien und geeinten Europa ein freies und geeintes Deutschland)." *Union in Deutschland* (June 21, 1990): 29.

Information Office, CDU. "Helmut Kohl's Great Success in Moscow: The Way of Unification Is Free (Helmut Kohls großer Erfolg in Moskau: Der Weg zur Einheit ist frei)." *Union in Deutschland* (July 19, 1990): 1-6.

Information Office, CDU. "Theo Waigel: We Are Fiscally Well-Prepared for German Unification (Theo Waigel: Wir sind auf deutsche Einheit finanzpolitisch gut vorbereitet) ". *Union in Deutschland* (October 4, 1990): 47-49.

Information Office, CDU. "Cologne Institute for Economic Research: Tax Increases Are Not Necessary for German Unification (Institut der deutschen Wirtschaft: Steuererhöhungen sind für die deutsche Einheit nicht nötig) ". *Union in Deutschland* (October 18, 1990): 17-18.

Information Office, CDU. "No Tax Increase for German Unification (Keine Steuererhöhung zur deutsche Einheit)." *Union in Deutschland* (November 15, 1990): 4.

Information Office, CDU. "The Fact Remains: No Tax Increase for German Unification (Es bleibt dabei: Keine Steuererhöhungen für die deutschen Einheit)." *Union in Deutschland* (November 22, 1990): 1-2.

Lafontaine, Oskar. "Who Wants an Instant Solution, Must Bear Its Outcome (Wer brauchartige Lösungen will, muß auch die Folgen tragen)." *SPD News service* (February 27, 1990): 3-4.

Niggemeier, Horst. "About Debates on the Date and the Starting Point of German Unification (Zur Diskussion um Zeitpunkt und Bedingungen der Deutschen Vereinigung) ". *SPD News service* (August 6, 1990): 4.

Peter, Horst. "The Debate on All-German Constitution Should Include a Plebiscite (Die Debatte um einen gesamtdeutsche Verfassung muß das Plabiszit einbeziehen)." *SPD News service* (July 9, 1990): 2-3.

Poß, Joachim. "Tax Increase for the Cost of German Unification? (Steuererhöhungen für die Kosten der deutschen Einheit?)." *SPD News service* (April 9, 1990): 1-2.

Reimann, Manfred. "More Customer-Educations in the Former GDR Are Urgently Requested (Mehr Verbraucheraufklärung in der ehemaligen DDR dringend nötig)." *SPD News Service (Sozial Demokratischer Pressedienst)* (November 9, 1990): 1.

Scharping, Rudolf. "The Reality Comes Little by Little (Die Wahrheit kommt scheinchenweise)." *SPD News service* (April 17, 1990): 3.

SPD. "The New Way – Ecologically, Socially, Economically Strong (Der neue Weg –

ökologisch, sozial, wirtschaftlich stark)." *SPD Federal Election Campaign 1990-1994* (September 28, 1990).

Thierse, Wolfgang. "Every Fourth East German Is Suffering from Unemployment (Jeder 4. Ostdeutsche von Arbeitslosigkeit betroffen)." *SPD News Service (Sozial Demokratischer Pressedienst)* (October 11, 1990): 1-2.

Welt, Jochen. "About the Burden of a NRW Community That Originated from the Immigration-Storm (Zur Belastung, die einer NRW-Kommune aus dem Übersiedlerstrom entsteht)." *SPD News Service (Sozial Demokratischer Pressedienst)* (January 15, 1990): 2.

Wieczorek, Helmut. "The Cost of Unification Should Not Be Imposed upon Länder and Social Fund (Kosten der deutschen Einheit nicht Ländern und Sozialkassen aufbürden)". *SPD News service* (April 5, 1990): 4.

Wieczorek, Helmut. "The Intention of the Federal Government to Divide German Unification Cost between the Federation, the Länder and the GDR (Zur Absicht der Bundesregierung, die Kosten der deutschen Vereinigung zwischen Bund, Ländern und DDR aufzuteilen)." *SPD News service* (May 9, 1990): 4.

Secondary Sources

Anderson, Christopher, Karl Kaltenthaler, and Wolfgang Luthardt. *The Domestic Politics of German Unification*. Boulder, Colo.: Lynne Rienner, 1993.

Bastuck, Burkhard. "Unity, Law, and Freedom: Legal Aspects of the Process and Results of German Unification." *International Law* 25, no. 1 (1991): 251-66.

Benz, Arthur. "Intergovernmental Relations in the 1980s." *Publius: The Journal of Federalism* 19, no. 4 (1989): 203-20.

Benz, Arthur. "From Unitary to Asymmetric Federalism in Germany: Taking Stock after 50 Years." *Publius: The Journal of Federalism* 29, no. 4 (September 21, 1999): 55-78.

Berejikian, Jeffrey D. "The Gains Debate: Framing State Choice." *The American Political Science Review* 91, no. 4 (1997): 789-805.

Berejikian, Jeffrey D. "Model Building with Prospect Theory: A Cognitive Approach to International Relations." *Political Psychology* 23, no. 4 (2002): 759-86.

Biehl, Dieter. "Optimal Decentralization – a Conceptual Approach to the Reform of German Federalism." *Environment and Planning C: Government and Policy* 7, no. 4 (1989): 375-83.

Boettcher, William A. "Adapting Prospect Theory to the Study of Foreign Policy Decision Making: A Series of Experimental Explorations." In *Annual Meeting of the International Studies Association*. Montreal, Quebec, Canada, 2004.

Bonin, H., and K.F. Zimmermann. "The Post-Unification German Labor Market." *IZA Discussion Paper Series*, (2000).

Brockmann, Stephen. "Introduction: The Reunification Debate." *New German Critique*, no. 52 (1991): 3-30.

Burda, M.C., and J.J.A. Hunt. "From Reunification to Economic Integration: Productivity and the Labor Market in Eastern Germany." *Brookings Papers on Economic Activity*, no. 2 (2001): 1-92.

Bürklin, Wilhelm P. "The German Greens the Post-Industrial Non-Established and the Party System." *International Political Science Review* 6, no. 4 (1985): 463-81.

Carty, R. Kenneth. "Parties as Franchise Systems: The Stratarchical Organizational Imperative." *Party Politics* 10, no. 1 (January 1, 2004): 5-24.

Chandler, William M., and Alan Siaroff. "Postindustrial Politics in Germany and the Origins of the Greens." *Comparative Politics* 18, no. 3 (1986): 303-25.

Chandler, William M., and Marsha A. Chandler. "Federalism and Political Parties." *European Journal of Political Economy* 3, no. 1–2 (1987): 87-109.

Crihfield, Brevard, and H. Clyde Reeves. "Intergovernmental Relations: A View from the States." *The ANNALS of the American Academy of Political and Social Science* 416, no. 1 (November 1, 1974): 99-107.

Culver, Lowell W. "Land Elections in West German Politics." *The Western Political Quarterly* 19, no. 2 (1966): 304-36.

Deschouwer, Kris. "Political Parties in Multi-Layered Systems." *European Urban and Regional Studies* 10, no. 3 (July 1, 2003): 213-26.

Desposato, Scott W. "The Impact of Federalism on National Party Cohesion in Brazil." *Legislative Studies Quarterly* 29, no. 2 (2004): 259-85.

Duckenfield, Mark. "Bundesbank - Government Relations in Germany in the 1990s:

- From GEMU to EMU." *West European Politics* 22, no. 3 (July 1, 1999): 87-108.
- Exler, Ulrich. "Financing German Federalism: Problems of Financial Equalisation in the Unification Process." *German Politics* 1, no. 3 (December 1, 1992): 22-37.
- Gabriel, Oscar W. "Federalism and Party Democracy in West Germany." *Publius: The Journal of Federalism* 19, no. 4 (September 21, 1989): 66.
- Gagnon, Joseph E., Paul R. Masson, and Warwick J. McKibbin. "German Unification: What Have We Learned from Multi-Country Models?". *Economic Modelling* 13, no. 4 (1996): 467-97.
- Getzner, Michael. "Risk, Uncertainty and Discounting in Practical Environmental Decision Making." Paper presented at the Proceedings of the *Workshop 'Risk and a Framework for Valuing Nature,'* 1999.
- Gokhale, Jagadeesh, Bernd Raffelhüschen, and Jan Walliser. "The Burden of German Unification: A Generational Accounting Approach." *Finanz Archiv/Public Finance Analysis* (1995): 141-65.
- Gualini, Enrico. "Regionalization as 'Experimental Regionalism': The Rescaling of Territorial Policy-Making in Germany." *International Journal of Urban and Regional Research* 28, no. 2 (2004): 329-53
- Hadley, Charles D., Michael Morass, and Rainer Nick. "Federalism and Party Interaction in West Germany, Switzerland, and Austria." *Publius: The Journal of Federalism* 19, no. 4 (September 21, 1989): 81-97.
- Hancock, M. Donald, and Helga A. Welsh. *German Unification : Process and Outcomes*. Boulder: Westview Press, 1994.
- Hancock, Landon E., and Joshua N. Weiss. "Prospect Theory and the Failure to Sell the Oslo Accords." *Peace & Change* 36, no. 3 (2011): 427-52.
- Hancock, Landon E. "There Is No Alternative: Prospect Theory, the Yes Campaign and Selling the Good Friday Agreement." *Irish Political Studies* 26, no. 1 (February 1, 2011): 95-116.
- Heiland, F. "Trends in East-West German Migration from 1989 to 2002." *Demographic Research* 11, no. 7 (2004): 173-94.
- Hesse, Joachim Jens. "The Federal Republic of Germany: From Co-Operative Federalism to Joint Policy-Making." *West European Politics* 10, no. 4 (1987): 70-87.

Hirschman, Albert O. "Exit, Voice, and the Fate of the German Democratic Republic: An Essay in Conceptual History." *World Politics* 45, no. 2 (1993): 173-202.

Hodge, Carl Cavanagh. "The Supremacy of Politics: Federalism and Parties in Western Europe." *West European Politics* 10, no. 2 (1987): 253-68.

Hopkin, Jonathan. "Political Decentralization, Electoral Change and Party Organizational Adaptation: A Framework for Analysis." *European Urban and Regional Studies* 10, no. 3 (July 1, 2003): 227-37.

Jacobs, Alan M, and J Scott Matthews. "Does Timing Matter? Intertemporal Policy Choice and the Mass Public." Paper presented at the Annual Meeting of the Midwest Political Science Association, April, 2008.

Jacobs, Alan M, and J Scott Matthews. "Why Do Citizens Discount the Future? Public Opinion and the Timing of Policy Consequences." *British Journal of Political Science* 1, no. 1 (2012):1-33.

Jacobs, Alan M, and J Scott Matthews. "Political Uncertainty and Public Support for Policy Tradeoffs: An Experimental Investigation." Paper presented at the Miller Center, University of Virginia, November 9, 2012.

Jeffery, Charlie. "Voting on Unity: The German Election of 1990." *International Relations* 10, no. 4 (November 1, 1991): 329-45.

Jeffery, Charlie. "Party Politics and Territorial Representation in the Federal Republic of Germany." *West European Politics* 22, no. 2 (April 1, 1999): 130-66.

Jervis, Robert. "The Implications of Prospect Theory for Human Nature and Values." *Political Psychology* 25, no. 2 (2004): 163-76.

Judt, M. *DDR-Geschichte in Dokumenten: Beschlüsse, Berichte, Interne Materialien und Alltagszeugnisse*. Links Christoph Verlag, 1997.

Kahneman, Daniel, and Amos Tversky. "Prospect Theory: An Analysis of Decision under Risk." *Econometrica* 47, no. 2 (1979): 263-91.

Kahneman, Daniel, Jack L Knetsch, and Richard H Thaler. "Anomalies: The Endowment Effect, Loss Aversion, and Status Quo Bias." *The Journal of Economic Perspectives* 5, no. 1 (1991): 193-206.

Kaiser, Karl. "Germany's Unification." *Foreign Affairs*, 1990/1991, 179-205.

Karl, Martin, and Georg Heipertz. "How Strong Was the Bundesbank?: A Case Study in

the Policy-Making of German and European Monetary Union.” *CEPS Working Document* no. 172 (September 2001).

Kim, Philo(김병로). “Changes in the Public Perception of Unification and Directions of North Korea Policy for National Integration(통일의식 변화와 국민통합을 위한 대북 정책 방향).” *Social Science Studies (사회과학연구)* 55, No.1 (2009):155-72.

Kim, Philo and Kyung Hui Choi (김병로, 최경희). “Comparative Analysis of Attitudes toward the Unification of North and South Korea (남북한 주민의 통일의식 비교 분석).” *Journal of peace and unification studies(통일과 평화)* 4, no. 1 (2012): 101-39.

Kitschelt, Herbert. "The 1990 German Federal Election and the National Unification: A Watershed in German Electoral History?". *West European Politics* 14, no. 4 (October 1, 1991): 121-48.

Klatt, Hartmut, and Arthur B Gunlicks. "Forty Years of German Federalism: Past Trends and New Developments." *Publius: The Journal of Federalism* 19, no. 4 (1989): 185-202.

Klemmer, P. "Regional Economic Policy within the Framework of Cooperative Federalism." *Environment and Planning C: Government and Policy* 7, no. 4 (1989): 403-09.

Kuechler, Manfred. "The Road to German Unity: Mass Sentiment in East and West Germany." *Public Opinion Quarterly* 56, no. 1 (March 20, 1992): 53-76.

Kvistad, Gregg O. "The ‘Borrowed Language’ of German Unification: State, Society and Party Identity." *German Politics* 3, no. 2 (August 1, 1994): 206-21.

Leaman, Jeremy. "The Bundesbank—Unelected Government of Germany and Europe?". *Debate: Journal of Contemporary Central and Eastern Europe* 1, no. 1 (1993): 8-32.

Lee,Sangkeun (이상근). “A New Approach to the Cost of Korean Unification: Minimizing the Conflict between Southern and Northern (남북한지역간 갈등 최소화 와 공영을 지향하는 통일비용 지출).” *Unification Studies (통일연구)* 15, no. 2 (2011): 5-36.

Lee, Younghoon(이영훈). “The Changing Unification Environment and a New Approach to the Studies of Unification Cost and Policy(통일환경 변화와 통일 비용·방안 연구의 새로운 모색).” *North Korean Studies Review(북한연구학회보)* 16, no. 1 (2012): 267-91.

Lehmbruch, Gerhard. "Party and Federation in Germany: A Developmental Dilemma."

Government and Opposition 13, no. 2 (1978): 151-77.

Lehmbruch, Gerhard. "The Process of Regime Change in East Germany: An Institutional Scenario for German Unification." *Journal of European Public Policy* 1, no. 1 (1994): 115-41.

Leonhard, Jörn, and Lothar Funk. *Ten Years of German Unification*. Continuum, 2002.

Levi, Ariel S., and Glen Whyte. "A Cross-Cultural Exploration of the Reference Dependence of Crucial Group Decisions under Risk: Japan's 1941 Decision for War." *Journal of Conflict Resolution* 41, no. 6 (December 1, 1997): 792-813.

Levy, Jack S. "Loss Aversion, Framing Effects, and International Conflict." *Handbook of War Studies II* (2000): 193-221.

Levy, Jack S. "Applications of Prospect Theory to Political Science." *Synthese* 135, no. 2 (May 1, 2003): 215-41.

Neumann, Manfred J. M. "German Unification: Economic Problems and Consequences." *Carnegie-Rochester Conference Series on Public Policy* 36, (1992): 163-209.

Mayer, Lawrence. "Federalism and Party Behavior in Australia and Canada." *The Western Political Quarterly* 23, no. 4 (1970): 795-807.

McCurdy, Gregory v.S. "German Reunification: Historical and Legal Roots of Germany's Rapid Progress towards Unity." *New York University Journal of International Law & Politics* 22 (1990): 253-317.

Mercer, Jonathan. "Prospect Theory and Political Science." *Annual Review of Political Science* 8 (2005): 1-21.

Morys, Matthias. "Was the Bundesbank's Credibility Undermined During the Process of German Reunification?": London School of Economics and Political Science, Department of Economic History, 2003.

O'Connell, David. "Situational Gamblers: Prospect Theory and the Commonalities of Presidential Campaign Management." *Presidential Studies Quarterly* 41, no. 1 (2011): 64-92.

Pappi, F.U. "The West German Party System." *West European Politics* 7, no. 4 (1984): 7-26.

Park, Ha Jin(박하진). " Enhancing Unification Consciousness and the Role of

- Unification Education Members (통일의식제고와 통일교육위원의 역할)." *SeoSuk Social Science Review* (서석사회과학논총) 4, no. 2 (2011): 61-77.
- Park, Il Song (박일송). "An Examination of the Fund Raising Methods for Korean Reunification (통일비용조성 방법에 대한 고찰)." The Korean Association of Local Government Studies Conference Paper 2010(한국지방정부학회 학술발표논문집 2010) no. 3 (2010): 1-19.
- Park, Sang Eeg(박상익). "Shift of Awareness and Education Paradigm over Unification (통일에 대한 인식전환과 통일교육패러다임의 시프트)." *Journal of North-East Asian Studies* (한국동북아논총) 59, (2011): 119-43.
- Patton, David. "Social Coalitions, Political Strategies, and German Unification, 1990–1993." *West European Politics* 16, no. 4 (October 1, 1993): 470-91.
- Peterson, Steven A., and Robert Lawson. "Risky Business: Prospect Theory and Politics." *Political Psychology* 10, no. 2 (1989): 325-39.
- Press, Charles. "Presidential Coattails and Party Cohesion." *Midwest Journal of Political Science* 7, no. 4 (1963): 320-35.
- Raffelhuschen, Bernd, Jan Walliser, and Willi Leibfritz. "Unification and Aging in Germany: Who Pays and When?". In *Generational Accounting around the World*, 277-98: University of Chicago Press, 1999.
- Reimann, Mathias. "Takeover: German Reunification under a Magnifying Glass." *Michigan Law Review* 96, no. 6 (1998): 1988-99.
- Renzsch, Wolfgang. "Financing German Unity: Fiscal Conflict Resolution in a Complex Federation." *Publius: The Journal of Federalism* 28, no. 4 (September 21, 1998): 127-46.
- Rhodes, R. A. W. "Analysing Intergovernmental Relations." *European Journal of Political Research* 8, no. 3 (1980): 289-322.
- Romsa, Gerald, Morris Blenman, and Joseph Nipper. "From the Economic to the Political: Regional Planning in West Germany." *Canadian Geographer / Le Géographe canadien* 33, no. 1 (1989): 47-57.
- Rothweiler, Robert L. "Revenue Sharing in the Federal Republic of Germany." *Publius* 2, no. 1 (1972): 4-25.
- Samuelson, William, and Richard Zeckhauser. "Status Quo Bias in Decision Making." *Journal of Risk and Uncertainty* 1, no. 1 (1988): 7-59.

Scharpf, Fritz W. "The Joint-Decision Trap: Lessons from German Federalism and European Integration." *Public Administration* 66, no. 3 (1988): 239-78.

Siebert, Horst, Michael Burda, and Maurice Obstfeld. "German Unification: The Economics of Transition." *Economic Policy* 6, no. 13 (1991): 289-340.

Siebert, Horst. *The Big Bang with the Big Brother: German Unification in Its Third Year*. Kieler Diskussionsbeiträge, 1993.

Singer, Otto. "The Politics and Economics of German Unification: From Currency Union to Economic Dichotomy." *German Politics* 1, no. 1 (April 1, 1992): 78-94.

Sinn, Gerlinde, and Hans-Werner Sin. *Jumpstart: The Economic Unification of Germany*. MIT Press, 1994.

Sinn, Hans-Werner "Macroeconomic Aspects of German Unification." In *Economic Aspects of German Unification*, edited by P.J. Welfens, 79-133. Berlin, Heidelberg, New York and Tokyo: Springer, 1992.

Sinn, Hans - Werner. "Germany's Economic Unification: An Assessment after Ten Years." *Review of International Economics* 10, no. 1 (2002): 113-28.

Smith, Gordon. "The Changing West German Party System: Consequences of the 1987 Election." *Government and Opposition* 22, no. 3 (1987): 131-44.

Stein, Janice Gross. "International Co-Operation and Loss Avoidance: Framing the Problem." *International Journal* 47, no. 2 (1992): 202-34.

Sturm, Roland. "How Independent Is the Bundesbank?". *German Politics* 4, no. 1 (1995): 27-41.

Sung, Jang Hwan and Young Ha Kim (성장환, 김영하). "A Study on Education-Majoring Students' Perception of Unification Cost (교대생들의 통일비용에 관한 의식 조사연구)." *Korean Journal of Political Science (대한정치학회보)* 10, no. 1 (2002): 165-94.

Thorlakson, Lori. "Patterns of Party Integration, Influence and Autonomy in Seven Federations." *Party Politics* 15, no. 2 (March 1, 2009): 157-77.

Tversky, Amos, and Daniel Kahneman. "Rational Choice and the Framing of Decisions." *The Journal of Business* 59, no. 4 (1986): S251-S78.

Umbach, Maiken. *German Federalism : Past, Present, Future*. Houndmills, Basingstoke, Hampshire ; New York: Palgrave, 2002.

Unger, Frank. "Discourses of Unity and Some Reflections About Their Aftermath." *German History* 9, no. 2 (1991): 173-83.

van Houten, Pieter. "Multi-Level Relations in Political Parties: A Delegation Approach." *Party Politics* 15, no. 2 (March 1, 2009): 137-56.

Veen, Hans-Joachim. "German Unity: Public Opinion and Voting Trends." *The Washington Quarterly* 13, no. 4 (December 1, 1990): 177-89.

Voigt, Rüdiger. "Financing the German Federal System in the 1980s." *Publius: The Journal of Federalism* 19, no. 4 (1989): 99-113.

Von Beyme, Klaus. "West Germany: Federalism." *International Political Science Review* 5, no. 4 (October 1, 1984): 381-96.

Watts, Ronald L. "Federalism, Federal Political Systems, and Federations." *Annual Review of Political Science* 1 (1998): 117-37.

Wehling, Hans-Georg. "The Bundesrat." *Publius: The Journal of Federalism* 19, no. 4 (1989): 53-64.

Wettig, G. "Moscow's Acceptance of NATO: The Catalytic Role of German Unification." *Europe-Asia Studies* 45, no. 6 (1993): 953-72.

Weyland, Kurt. "Limitations of Rational-Choice Institutionalism for the Study of Latin American Politics." *Studies in Comparative International Development* 37, no. 1 (March 1, 2002): 57-85.

Wildavsky, Aaron. "Party Discipline under Federalism: Implications of Australian Experience." *Social Research* 28, no. 4 (Winter 1961): 437-58.

Wright, Deil Spencer. *Understanding Intergovernmental Relations: Public Policy and Participants' Perspectives in Local, State, and National Governments*. Duxbury Press, 1978.

Yoo, Byoung Hark and Sung Min Mun (문성민, 유병학). *The Effects of Inter-Korean Integration Type on Economic Performance : The Role of Wage Policy*. Seoul: Economic Research Institute, The Bank of Korea, 2012.

Zelikow, Philip and Condoleezza Rice. *Germany Unified and Europe Transformed: A*

Study in Statecraft. Cambridge, MA: Harvard University Press 1995.

Ziblatt, Daniel F. "Recasting German Federalism? The Politics of Fiscal Decentralization in Post-Unification Germany." [In English]. *Politische Vierteljahresschrift* 43, no. 4 (December 1, 2002): 624-52.

Zimmermann, H. "Fiscal Equalization between States in West Germany." *Government and Policy* 7 (1989): 385-93.

Statistical Datasets

Institute for Election Research (Forschungsgruppe Wahlen). "Politbarometers Election Study 1990 (Trend Investigation)." *Cumulative Dataset ZA1920*.

Institute for Political Research of Christian-Albrechts University at Kiel (Institut für Politische Wissenschaft, Christian-Albrechts-Universität Kiel). "Kieler Election Study 1990 (Kieler Wahlstudie 1990)." *Cumulative Dataset ZA1959*.

KBS. "2012 Survey on South Korean Public Perception of Korean Unification (2012 국민통일의식조사)" <http://office.kbs.co.kr/tongil/>. (accessed May 6, 2013)

Korea Statistics. "National Account: GDP per capita". *International Statistics 2010*. [http://kosis.kr/gen_etl/start.jsp?orgId=101&tblId=DT_2KAA904&conn_path=I3&path=주제별_국제통계_>_국민계정1인당_국내총생산\(당해년가격\)](http://kosis.kr/gen_etl/start.jsp?orgId=101&tblId=DT_2KAA904&conn_path=I3&path=주제별_국제통계_>_국민계정1인당_국내총생산(당해년가격)) (accessed February 12, 2013)

Korea Statistics. "North Korea Statistics." 2012. http://kosis.kr/bukhan/bukhanStats/bukhanStats_03_02List.jsp?mode=&menuId=02&NUM=4 (accessed May 6, 2013)

Leibniz Institute for the Social Sciences (Leibniz Institut für Sozialwissenschaften). "The German General Social Survey 1990 (Allgemeine Bevölkerungsumfrage der Sozialwissenschaften; ALLBUS 1990)." *Cumulative Dataset ZA3714*.

Leibniz Institute for the Social Sciences (Leibniz Institut für Sozialwissenschaften). "The German Federal State Election Study - Niedersachsen 1990 (Landtagswahl in Niedersachsen 1990)" *Cumulative Dataset ZA1934*.

United Nations Statistics Division. *National Account Main Aggregates Database 2010*. http://kosis.kr/gen_etl/start.jsp?orgId=101&tblId=DT_IZGI01_301&conn_path=I3&path

=국제기구별 > UN > 국민계정국내총생산(GDP) (accessed February 12, 2013)

Legal Documents

The Basic Law of the Federal Republic of Germany (Grundgesetz für die Bundesrepublik Deutschland). [Bonn: Information Office of the Federal Government], 1979.

Bundesgesetzblatt I p.359.

Bundesgesetzblatt I p. 367.

Bundesgesetzblatt.I p. 381

Bundesgesetzblatt.I p. 265

Federal Republic of Germany and German Democratic Republic, "Treaty on the Creation of Monetary, Economic and Social Union (Vertrag über die Schaffung einer Währungs-, Wirtschafts- und Sozialunion)," May 18, 1990.

Federal Republic of Germany and German Democratic Republic, "Unification Treaty (Einigungsvertrag)," August 31, 1990, Art. 42

Web Sources

Federal Ministry of the Interior, Germany "20 YEARS AGO TODAY July 1, 2010, Article: A Decisive Step on the Road to Unity - Economic, Monetary and Social Union between the Federal Republic and the GDR in Force (HEUTE VOR 20 JAHREN Artikel 01.07.2010: Ein entscheidender Schritt auf dem Weg zur Einheit - Wirtschafts-, Währungs- und Sozialunion zwischen Bundesrepublik und DDR in Kraft)." http://www.bmi.bund.de/cln_165/SharedDocs/Standardartikel/FuE/Chronik_vor_20Jahren/01072010.html?nn=885982. (accessed February 12, 2013)

Federal Returning Officer, Germany. "Bundestag Election of 25 January 1987." http://www.bundeswahlleiter.de/en/bundestagswahlen/fruehere_bundestagswahlen/btw1987.html (accessed June 6, 2013)

Federal Returning Officer, Germany. "Bundestag Election of 6 March 1983." http://www.bundeswahlleiter.de/en/bundestagswahlen/fruehere_bundestagswahlen/btw1983.html (accessed June 6, 2013)

Federal Returning Officer, Germany. "Bundestag Election of 2 December 1990." http://www.bundeswahlleiter.de/en/bundestagswahlen/fruehere_bundestagswahlen/btw1990.html.(accessed February 12, 2013)

Fisher, Marc. "Bonn Socialists Oppose Treaty; Party Warns against Merging East, West German Economies." *The Washington Post*, May 22, 1990. <http://search.proquest.com/docview/307268095?accountid=6802> (accessed July 2, 2013)

German Bundestag. "Comparison of Majorities in the Bundestag and the Bundesrat (*Vergleich der Mehrheitsverhältnisse in Bundestag und Bundesrat*)."
http://www.bundestag.de/dokumente/datenhandbuch/10/10_03/10_03_03.html (accessed May 30, 2013)

Von Kaden, W. and H. Martens. "We Are Very Careful (Wir Werden Sehr Aufpassen)." *Der Spiegel*, 26.02 1990, 107-10. <http://www.spiegel.de/spiegel/print/d-13507501.html> (accessed July 2, 2013)

국문초록

연방제 하에서의 빠른 통일:

1990년 통일과정에서 서독 지방정부의 선호에 관한 연구

김 주 은

서울대학교 국제대학원

국제학과 국제협력전공

성급한 통일이 가져올 수 있는 경제적 부작용에 대해 당시 이미 많은 경제학자들이 지속적으로 경고했음에도 불구하고, 왜 서독의 지방정부들은 빠른 속도의 통일을 지지하였는가? 이에 대한 답을 찾기 위해 1990년 서독의 정당정치를 연방 시스템이라는 맥락 속에서, 특히 서독 지방정부의 선호에 관심을 가지고 살펴 보았다. 연방제 하의 정당정치에 관한 기존의 연구들은 연방 수준에서 활동하는 정당의 행위에 초점을 맞추면서, 지역의 선호에는 큰 관심을 기울이지 않았다. 이러한 맹점을 보완하기 위해, 본 논문은 Kahneman과 Tversky의 전망이론을 바탕으로 지방정부의 선호를 분석하였다. 1990년에 실시된 세 종류의 여론조사, 연방상원과 연방하원의 문서들, 그리고 기민당과 사민당의 당내 소식지에 대한 질적 분석이 이루어졌다. 독일통일에 대한 연방상원의 토론 하나와 연방하원의 토론 네 개에 대하여 단어 유사성에 따른 군집분석도 실시되었다. 분석의 주요결과는 다음의 세가지로 나타났다. 첫째, 서독 지방정부는 통일 이전의 경제적 지위에서 형성된 참조점에 기반하여 선호를 형성하였다. 자신들의 경제적 현상유지를 위해 지방정부는 통일로부터 예측되는 두 가지 경제적 손실 - 이민자 증가와 국가재정 부담 증가 -를 피하려 하였다. 둘째, 지방정부는 장기적 손실 보다는 단기적 손실에 대하여 더 큰 회피성을 보이는 등 전반적으로 근시안적인 선호를 나타냈다. 1990년 상반기에는 동독으로부터의 이민자 증가가 단기적 손실로 인식되었는데, 이것은 독일민족의 연방국경 출입에 관한 법률(*Aufnahmegesetz*)의 비호 아래 다수의 이민자가 급격히 유입되었기 때문이다. 1990년 하반기에는 급속히 악화된 동독경제로 인해 통일자금조달이 단기손실로 인식되었다. 셋째, 통일과정에서 집권당(기민당/기사당과 자민당 연합)이 제1야당(사민당)보다 더 주도적인 모습을 보였는데, 이러한 주도권은 집권당의 두 가지 정책 -출입법의 폐지 및 독일 통일 기금 신설 -에 기인한다. 이 두 가지 정책들은 각각 이민자 증가와 통일자금조달에 대한 지방정부의 손실회피를 성공적으로 활용한 것이었다. 본 논문의 이러한 발견은 한반도 통일에 대한 기존 연구들이 통일의 심리적 측면을 간과해 왔음에 비추어 볼 때, 추후 연구에 시사하는 바가 크다.

.....

주요어: 독일통일과정, 단기손실회피, 전망이론

학 번: 2011-22373