The New Germany and the New Europe.
Edited by Paul B. Stares

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Abstract

The Brookings Institution’s new book, The New Germany and the New Europe, is an attempt along these lines. Actually a collection of twelve scholarly papers, it is an in-depth examination of the roiled political and economic currents that washed away the Berlin Wall and the rest of the Iron Curtain and continue to affect the flow of so much of current events. There are two more substantive shortcomings that pervade the book. The first of these; to be fair, the book shares with many of the policy debates that presently occur on the planet: a persistent failure to consider the limits on the willingness of the populations of the NATO countries to bear the costs of what is recommended, or already underway, and the consequences of reaching those limits. The second major flaw in the book is related to the first. Little consideration is given to events at the level at which most people function, namely, the household, the workplace, and the local community. Keeping these deficiencies in mind, the book does contain a great deal of information and a number of valuable insights.
BOOK REVIEW


Reviewed by Gregory F. Hauser*

A principle of physical science states that for every action, there is an equal and opposite reaction. If this principle were to apply in political science, one could hypothesize that the disintegration of the former Eastern bloc is offset by the gradual—albeit fitful—integration of western Europe, and the reunification of Germany is balanced by the sundering of the former Soviet Union. Although perhaps an intriguing hypothesis, it would serve only a desire for simplistic explanations. These continuing events have the potential to overwhelm the current European, if not the world, political, and economic order. They have a complexity of genesis and progress that can even more easily overwhelm observers. Understanding them is, thus, both a pressing need and a tall order.

An attempt to consider these events in definitive detail carries three risks. First, accuracy may suffer when the perspective that can come only with temporal distance from such events is foregone. Second, the time required for analysis can easily allow the moving target, which unfolding history unavoidably constitutes, to move beyond the range of one's aim. Third, because so many of those qualified to conduct such analysis are caught up in some way in the events themselves, the analysis can create an effect that has its physical parallel in the Heisenberg Uncertainty principle: the conclusions or even the process can affect the events. But this last risk returns us to the need and is the very point of the analysis. If the events are not to overwhelm us, we must have enough understanding to work with them.

The Brookings Institution's new book, The New Germany

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and the New Europe,\(^1\) is an attempt along these lines. Actually a
collection of twelve scholarly papers, it is an in-depth examina-
tion of the roiled political and economic currents that washed
away the Berlin Wall and the rest of the Iron Curtain and con-
tinue to affect the flow of so much of current events. Many of
the papers are also efforts to chart a course that will allow suc-
cessful navigation to future security and prosperity for the na-
tions and populations involved.

The original papers were presented in September 1991,
but have been updated to reflect the authors' thinking as of the
summer of 1992. Although subsequent events, such as the Eu-
ropean currency crisis, the spread of violence directed against
foreigners in Germany, and the results of the French referen-
dum on the Treaty on European Union ("Maastricht treaty")\(^2\)
and the U.S. presidential election, are already accumulating to
the point where they call the currency of some of the papers' ob-
servations into question, the book is nonetheless enlighten-
ing. It is not always an easy read for one not already well
versed on current European events. There is, however, an
early warning at the front of the book in the form of a two-page
list of "Abbreviations and Acronyms," chiefly an alphabet soup
of economic and political accords and organizations that are
more the jargon of policy "wonks" than of those with a less
professional interest.\(^3\) A number of widely used and under-
stood terms are nowhere to be found and are supplanted by
acronyms that are presumably either more precise or more po-
litically correct in the relevant circles, for instance, COMECON
and the Warsaw Pact are referred to as "CMEA" (Council for
Mutual Economic Assistance) and "WTO" (Warsaw Treaty
Organization), respectively.\(^4\)

There are two more substantive shortcomings that per-
vade the book. The first of these, to be fair, the book shares
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planet: a persistent failure to consider the limits on the will-
ingness of the populations of the NATO countries to bear the

\(^1\) The New Germany and the New Europe (Paul B. Stares ed., 1992) [hereinafter The New Germany].
\(^2\) Treaty on European Union, [1992] 1 C.M.L.R. 719 [hereinafter TEU], re-
\(^3\) The New Germany, supra note 1, at xiii-xiv.
\(^4\) Id.
costs of what is recommended, or already underway, and the consequences of reaching those limits. Many of the authors observe that it was the East German people (chanting in the streets: "Wir sind das Volk!") and later, "Wir sind ein Volk!")\textsuperscript{5}, their perception of their economic self-interest, and their determination to act on that interest, that utterly overwhelmed the ability of several of the world's politically most sophisticated, and militarily and economically most powerful governments to control even the pace of events, much less their course, resulting in the unanticipated and abrupt timing of German reunification. But, none of the authors seriously considers either the possibility that the populations that are expected to finance the staggering cost of the new Europe as envisioned by the authors could reach the balking point, or the potential political consequences when they do. The recent German riots\textsuperscript{6} and the electoral defeat of an incumbent U.S. president who once enjoyed the highest approval rating in the history of polling,\textsuperscript{7} are blunt reminders that these populations will not docilely tolerate significant erosion of their standards of living.

There is a broad consensus among the book's authors on what must be accomplished if the aftermath of German reunification, and of the other events that were its context and contributing causes, is to allow continued progress toward a stable Europe. There are three main themes to the recommendations: (1) the development of multilateral organizations and other contacts to imbed the unified Germany in a cooperative European security effort; (2) limitations on armies and armaments; and (3) economic development of the former Eastern bloc. Several contributors present some macroeconomic analyses of the German economy's ability to bear the costs of reunification, primarily the cost of the economic transformation of the new, eastern Länder\textsuperscript{8} (including infrastructure and environment), and their sustenance in the meantime. But there is no effort to analyze the potential impact of reunifica-

\textsuperscript{5} Id. at 16, 59 (meaning respectively "We Are the People," "We Are One People").

\textsuperscript{6} See, e.g., Germans Fear a Riot Backlash, N.Y. Times, Aug. 29, 1992, at 2.


\textsuperscript{8} The states of the Federal Republic of Germany (singular: Land).
tion on the average German household, whether west or east. And, without such information, it would seem impossible to discern accurately the likely political future.

It sometimes seems that most of those engaged in policy debates nowadays purposefully ignore the truly difficult, but absolutely central, issue of cost. For quite some time, there has been a chorus advocating significant U.S. government aid for the former eastern bloc, but there is no suggestion of how this can be financed by a nation with a deficit that exceeds the budgets of most of the countries it is supposed to be aiding. The result is that virtually no such aid has been forthcoming. Similarly, a number of the authors of these assembled papers expansively discuss the German spending that "needs" to take place, especially in what was East Germany, but also in the rest of the former eastern bloc. They do not, however, face the fact that meeting all the needs they identify would almost certainly necessitate a reduction in the standard of living of much of the population of the former West Germany. Perhaps they cannot accept the possibility that the people of a prosperous democracy would decline to pursue fully the idealistic and idealized vision that the authors offer, or perhaps they are unwilling to jeopardize the acceptance of the goals they propose by revealing their full implications. Many of the authors recount the political damage to Chancellor Kohl from his making false promises about the cost of reunification, but, again, some of the lesson seems to have been lost.

The second major flaw in the book is related to the first. Little consideration is given to events at the level at which most people function, namely, the household, the workplace, and the local community. It was largely at this level that the Iron Curtain—especially in Germany—was demolished. Yet, the authors of this book proceed as if the aftermath of these events can nonetheless be fully charted by focusing at the level of national governments and economies. In fact, much of the economic transformation of Eastern Europe being effected now is taking place at "lower" levels. Moderate sized-companies, particularly the German mittelständische Unternehmen,⁹ are spreading out across Eastern Europe, hiring locals, bringing them to the

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⁹. Companies with either an annual turnover of DM2,000,000 to DM10,000,000 or 20 to 100 employees. ¹ MITTEL-STÄNDISCHE UNTERNEHMEN vii (1991).
home base for training, and then sending them back. This is how the economies and societies involved will be transformed, by a propagation of western systems and values, driven by disparately plotted, individual, economic self-interests. The implicit assumption of this book that this can be accurately analyzed in the amalgam is questionable.

Keeping these deficiencies in mind, the book does contain a great deal of information and a number of valuable insights.

In chapter two of The New Germany, Catherine McArdle Kelleher, a senior fellow in the Foreign Policy Studies program at the Brookings Institution itself, gives her overview of "The New Germany." The paper is an excellent introduction for the rest of the book. She ably recounts how the post-World War II political history of the two German republics led up the events of reunification. Her discussion comes close to capturing the feel of this history, which resembled nothing so much as the long, slow assent and the sudden descent at the start of a roller coaster ride. She includes an excellent summary of the current economic situation.

A significant part of her paper is a fascinating discussion of the effects of reunification and its economic aftermath on German party politics and their potential future course for the near term. She points out that unresolved issues that go to the State-Federation ("Land-Bund") relationship are building. Resolution of these issues will almost certainly increase the already serious regional strains within the political parties. She omits, however, any mention of the effect on the SPD's fortunes in the eastern Länder of the image problems that derived from its history of espousing accommodation with the former communist regime. Perhaps the recent death of former Chancellor and Ostpolitik architect Willy Brandt will assist the party in moving beyond that issue, but as of her writing he was

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10. The New Germany, supra note 1, at 387.
11. Id. at 11.
12. Id. at 13-15.
13. Id. at 28-33.
14. Id. at 33-40.
15. Id. at 35.
16. Id. at xiv. The Sozial Demokratische Partei Deutschlands ("SPD") is the Social Democratic Party of Germany.
17. Id. at 14 (discussing the "new Ostpolitik (policy toward the East) within the opposition Social Democratic party").
still alive. Ms. Kelleher accurately describes the growing dissatisfaction with the CDU/CSU.\textsuperscript{18} She fails to take full account of the fact that, on the most important issue of how to cope with the economic effects of reunification, the opposition SPD has not articulated any alternative program. Additionally, on what may be the second most important issue, the refugee/asylum issue, the SPD's announced position was then seriously at odds with the trend in German public opinion.\textsuperscript{19} These political facts and their implications are an inescapable part of understanding the German political course between the present and the next election, which must be held by 1994.

In a discussion of national identity, she maintains that the two pillars of the former East German identity were pride in its economic achievements and antifascism, the belief that the DDR\textsuperscript{20} had been cleansed of the Nazi past. She implicitly questions the latter myth, but does not go on to discuss the rapidly accumulating evidence that the residents of the new Länder are actually significantly behind their western countrymen in working their way through the legacy of the Nazi era, or the implications of this fact for the evolution in national identity that is taking place.

The next paper, "The Political Economy of the New Germany,"\textsuperscript{21} was authored by Professor Michael Kreile of the University of Konstanz.\textsuperscript{22} He briefly reviews the events of reunification. There are subtle differences between his German view and that of Ms. Kelleher. Of particular legal significance, he presents a concise description of the treaties, legislation, and German constitutional provisions that enacted reunification.\textsuperscript{23} Professor Kreile engages in his own discussion of some aspects of party politics, focusing more on the nature of the relation-
ship between the parties and various groups of voters rather than the relationship between the parties and the issues on which Ms. Kelleher had focused. But his ultimate conclusion is that the relationship between eastern voters and the parties is in fact almost completely issue determined.24

The meat of the paper is an exploration of the relationship between politics and monetary policy through the events of reunification and in the present.25 He includes mention of the role of labor unions in this relationship. This role is critical to note at this juncture because the impact of labor unions' positions on economic issues has been growing with the volume and resolve with which they are expressing those positions.26 Finally, he chronicles in good detail the fiscal legislation to date concerning the financing of the costs of reunification: the discussion is appropriately sub-titled “Federalism Under Stress.”27 These decisions have woven a complex web of economics and politics, a web in which the government or even the national economy may soon find itself uncomfortably enmeshed. There are intersections of various strands of this web that may constitute political or economic time bombs. One example may be that the current exclusion of the eastern Länder from horizontal fiscal equalization of Value Added Tax (“VAT”) revenue, which would result in a significant redistribution of VAT income to the east, is scheduled to expire at the end of 1994, and could thus easily become a difficult and divisive issue in the next election campaign. Professor Kreile predicts that the eastern Länder will begin to differentiate in the rate and nature of their economic development.28 This is an almost novel view that once expressed seems virtually self-evident and is almost certainly accurate, but it is a view that has not yet emerged as the important point in the discussions of the future of the east that it deserves to be.

There follows a paper entitled “The Security Policy of the New Germany”29 by Hilmar Linnenkamp, a director of the Department of the Social Sciences at the German Federal Armed

24. Id. at 65.
25. Id. at 71-84.
26. Id. at 74-86.
27. Id. at 80.
28. Id. at 84-85.
29. Id. at 93.
Forces Command and General Staff College (Führungsakademie der Bundeswehr) in Hamburg. He tellingly points out that Thomas Mann's famous dictum that Germany should strive for a European Germany rather than a German Europe (referred to by a fair number of the book's authors) simply begs the question of what is meant by a European Germany. He describes the effect of the provisions of the Treaty on Conventional Forces in Europe and the Two-Plus-Four Treaty on the size and shape of the Bundeswehr, as well as the impact of NATO London Declaration. He assesses the new security environment of the unified Germany and its implications for German security policy in the future.

Mr. Linnenkamp touches on the debate about whether there should be revision of the Basic Law provisions governing deployment of German forces, a debate triggered by the Gulf War. He observes, in what is equal parts pithy frankness and understatement, that "[t]he long-established tendency in West German foreign policy to revert to the Basic Law as an instrument for circumventing political decisions on delicate foreign policy issues must have been irritating to other countries." He goes on to suggest that the political consensus has grown out of this tendency. We shall see.

His final conclusions are that economic, demographic, and environmental risks are probably the most serious threats to security now faced by Germany, and that these are transnational risks, all the more reason for a cornerstone of German

30. Id. at 388.
31. Id. at 94-95.
35. THE NEW GERMANY, supra note 1, at 108-09. The Basic Law is effectively the current German constitution.
36. Id. at 118.
37. Id.
security policy to be a commitment to multilateral cooperation. The paper fails, however, to take note of the fact that one driving force behind the reduction of armed forces around the world is the irresistible pressure from the populations that have been supporting the forces to redistribute resources away from the military sector toward meeting other needs. This pressure will have continuing, progressive effects throughout the world, and Europe will be no exception. The paper's views on the potential shape of the future could benefit from re-visititation following the intervening election to the U.S. presidency of Bill Clinton, who has advocated withdrawals of U.S. forces from Europe that go beyond those assumed.

Next up is Harald Müller, director of International Programs at the Peace Research Institute Frankfurt, with a discussion of “German Foreign Policy After Unification.” The bulk of his paper explores the debate concerning, and the effectuation of, Germany’s policy regarding each of a series of issues: the Gulf War, the broader question of out-of-area military missions generally, export policy (particularly as it concerns weapons technology), German-Polish and German-Czechoslovakian relations, Yugoslavia, NATO after the demise of the Warsaw Pact, and European Community integration. The discussion does an excellent job of tracing and explaining the evolution of these policies, extending even to the interplay with the fault lines in the political opposition, but also has undertones that are at times self-congratulatory and at others defensive. He accurately points out that Germany has included consultations with others in the development of its policies more than any other industrial democracy and that there is a patent inconsistency between calls for Germany to

38. Id. at 121-22.
40. The New Germany, supra note 1, at 388.
41. Id. at 126.
42. Id. at 135-39.
43. Id. at 139-42.
44. Id. at 142-46.
45. Id. at 146-50.
46. Id. at 150-54.
47. Id. at 154-58.
48. Id. at 158-61.
exercise its potential for leadership and the agitated reactions that ensue whenever Germany does so.\(^4\) On the other hand, showing that there is a rational basis for a given policy does not at all mean that it was the natural, much less the only or "best" choice, or that others with differing interests necessarily ought to endorse the policy.

The credibility of his presentation is strained by the effort to explain Germany's decision to proceed with recognition of Croatia.\(^5\) There were indeed major arguments in favor of the decision that had nothing to do with the German-Croatian alliance in World War II. This is not enough, however, to conclude as does the author that "[i]t is safe to say . . . that this historical association played no part whatsoever in Germany's considerations"\(^5\) when, on the very same page, he acknowledges that one of the considerations in the decision was domestic pressure that stemmed from centuries old sympathies between south German Catholics and the Catholic Croatians.\(^5\)

The German-Croatian alliance in World War II has a relationship to these same sympathies and cannot be so easily excised from its context.

The paper also ignores a brewing dilemma that is studiously avoided in current policy discussions in Germany. There is an obvious conflict between the German leadership's approach toward economic integration of the European Community and the German public's concerns in the area of monetary policy. The German consensus that inflation is the greatest monetary enemy and needs to be avoided at almost any cost sets Germany significantly apart from the other members of the Community. Chancellor Kohl's insistence on an independent central bank as a condition of economic integration is touted as adequate insurance that the German attitude vis-à-vis inflation will not be overcome in the upcoming union. Unfortunately, simply saying this does not make it so. The U.S. experience with the Federal Reserve Bank suggests strongly that the independence of a central bank can never be complete and does not predetermine monetary policy.

49. Id. at 129-30, 161-62.
50. Id. at 151-54.
51. Id. at 152-53.
52. Id. at 153.
The second part of the book has a broader, European focus. The first of these chapters is the paper "Toward a New European Political Economy" by Wolfgang H. Reinicke, a research associate in the Foreign Policy Studies program of the Brookings Institution. He presents a convincing and comprehensive discussion of the depth and complexity of the problem presented by the movement to transform the economy of eastern Europe. In addition, he offers a theoretical basis for the plan, design, and implementation of the transformation. (This theoretical discussion also provides a good basis for the understanding of the tremendous problems being experienced in the former Soviet Union.) Mr. Reinicke points out that a market economy assumes a market made up of individuals who are comfortable with risk, uncertainty, and spontaneity, and that the population of the former east bloc countries simply does not fit this bill, which will necessitate a social and psychological transformation of these societies; it will not be enough just to privatize the economy and to dismantle the central planning authority. In this context, he points to the dramatic fall-off of voter participation in succeeding elections in the former east bloc countries, which carries with it alarming implications for the viability of democratic representative government in those countries. He also points out that successful market economies as we know them also have an extensive legal and administrative component, made up of everything from government regulations and agencies to labor unions, consumer groups, and chambers of commerce, which will also be essential to the economic evolution in eastern Europe.

The second focus of the paper is the restructuring of the European Community, dealing with both the conceptual dimensions of the "widening" and "deepening" of the organization and the practical aspect of the necessary modification of the association agreements. In academic language, the author acknowledges the politico-economic quandary discussed at the

53. Id. at 177.
54. Id. at 388.
55. Id. at 180-89.
56. Id. at 178-80.
57. Id. at 180-85.
58. Id. at 188-89.
59. Id. at 180-89.
outset of this review. He states that "Europeans will reject deeper economic integration unless they believe that they can exchange their social contract at the national level for a European social contract without giving up the rights and responsibilities they have acquired."60 However, having made the statement, he leaves the potential breadth and depth of its implications unexamined.

Paul B. Stares, the book’s editor and a senior fellow in the Foreign Policy Studies program at the Brookings Institution,61 and John D. Steinbruner, a director of the same program, follow with "Cooperative Security in the New Europe."62 It is a highly theoretical, statistic-laden and mind-numbing approach to determining appropriate troop levels and distribution. They also relate their conclusions to the present framework of multilateral agreements and suggest initiatives to implement those conclusions.

The last part of the book offers five perspectives on the new Germany. Anne-Marie Le Gloannc, a research fellow at the Center of International Studies and Research of the National Foundation of Political Science in Paris,63 writes on the implications for Western Europe. She articulates the key, unanswered question: will the integration of the unified Germany with the rest of Europe in fact limit its influence or, because its relative size and importance will mean that no crucial decision can be made without its consent, will an integrated Europe instead enhance Germany’s domination?

Andras Inotai, a director of the Institute for World Economics of the Hungarian Academy of Sciences in Budapest,64 writes on the economic implications of German reunification for eastern Europe. He dissents from the conventional wisdom that blames the sharp decline in east German exports to eastern and central Europe on the collapse of COMECON, blaming it instead on the currency union, which drastically increased the effective price of East German goods and instantly priced them out of competitiveness in their former customer

60. Id. at 202.
61. Id. at 218.
62. Id.
63. Id. at 251.
64. Id. at 279.
countries. His is an interesting perspective on the decision to exchange Deutschmarks for "Ostmarks" at a one to one rate, since commentary on that decision has tended to focus almost exclusively on its effects on the internal German economy. He notes that Germany has already assumed the major trading role with the former Soviet satellites and now accounts for approximately the same proportion of their trade as the Soviet Union once did, a stunning fact that underlines the scale of what change has already occurred. Mr. Inotai focuses on the conflicting demands that east German development and development in the rest of eastern Europe place on German resources. He sharply criticizes the decision by Germany to favor development of its new eastern Länder, which he attributes to "[p]olitical motivations," and almost bitterly suggests that part of that money would have been better spent in other east European countries. While his position may be understandable, it is not politically reasonable, any more than one could effectively lecture the United States government on the wisdom of eliminating water projects in the western United States to free up funds for aid to the Caribbean.

"Security Problems Facing Central and Eastern Europe After German Unification" is the tenth chapter, authored by Slawomir A. Dabrowa, deputy director of the Department of European Institutions of the Polish Ministry of Foreign Affairs. He, too, worries about the eastern Länder consuming German capital, but points out that progress towards a unified Europe is dependent on a unified Germany. As perhaps a Pole would soonest realize, he notes now that the German problem has been "solved," the Russian question has emerged.

That nation is heard from next. Sergei A. Karaganov, deputy director of the Russian Academy of Sciences Institute of Europe in Moscow, writes on the "Implications of German Unification for the Former Soviet Union." Part of his paper recounts the Soviet policy decisions and actions in response to

65. Id. at 280-82.
66. The currency of the former DDR.
67. The New Germany, supra note 1, at 279-80.
68. Id. at 300.
69. Id. at 305.
70. Id. at 305-06.
71. Id. at 331.
the events that resulted in German reunification. In the detail in which he presents these maneuvers, they often appear desperate or even pathetic when one remembers the former geopolitical position that the Soviet Union once held. His closing remarks are haunting: "During this century, Germany has twice been in a situation similar to the one the former Soviet Union—especially Russia—finds itself in now. The first time it was abandoned; the second time it was helped."\(^{72}\)

The last chapter, which strains to fit in, is "Implications of German Unification for Japan," by Hidea Sato, director of the Office of Educational Planning at the University of Tsukuba.\(^{73}\) Although his discussion of trade tensions between Japan and Europe has value, it has little relationship to the rest of the book and one is left wondering why the chapter was included.

The book's greatest use will be as an important and detailed record of a "snap-shot" of the discussion of German reunification and related eastern European matters at the time of its publication. It is far too academic in approach to be of widespread interest. The book deserves a "B+" for its description of the events of German reunification; what it lacks in its account of the events in the streets, it partly makes up for by the details of the events at other levels. For its discussion of how the current issues it selects for consideration have emerged and evolved, the book deserves an "A," but the selection can make no pretense to be comprehensive. For the extent to which it realistically assesses the future course, perhaps a "B"; some obvious issues for the future have been given inadequate treatment. It is nonetheless the most thorough treatment of the subject available to date.

\(^{72}\) Id. at 361.
\(^{73}\) Id. at 365.